L Number	Hits	Search Text	DB	Time stamp
1	440	line adj credit	USPAT	2003/12/23 12:52
2	5	determine near2 (line adj credit)	USPAT	2003/12/23 12:27
3	6	risk near5 (line adj credit)	USPAT	2003/12/23 12:38
4	26	4593936.URPN.	USPAT	2003/12/23 12:30
5	3	("1951596" | "3434414" | "4443027").PN.	USPAT	2003/12/23 12:36
6	225	credit adj risk	USPAT	2003/12/23 12:38
7	983	credit adj limit	USPAT	2003/12/23 12:38
8	0	(credit adj limit) near (credit adj risk)	USPAT	2003/12/23 12:38
9	71	(credit adj limit) and (credit adj risk)	USPAT	2003/12/23 12:38
11	3	(establish near2 (credit adj limit)) and (credit adj risk)	USPAT	2003/12/23 12:39
12	11	("4182934" | "4893330" | "4953198" | "4955049" | "4958368" | "5091942" | "5109408" | "5144649" | "5220593" | "5309501" | "5335278").PN.	USPAT	2003/12/23 12:39
10	22	establish near2 (credit adj limit)	USPAT	2003/12/23 12:40
13	347	credit adj line	USPAT	2003/12/23 12:52
14	6	revolving adj (credit adj line)	USPAT	2003/12/23 12:57
15	10	("4714995" | "4718009" | "4727243" | "4736294" | "4774664" | "4799156" | "4914587" | "5025138" | "5063507" | "5241466").PN.	USPAT	2003/12/23 12:55
16	6	("3949191" | "4194242" | "4346442" | "4376978" | "4454414" | "4590365").PN.	USPAT	2003/12/23 12:56
17	30	(credit adj risk) and (credit adj line)	USPAT	2003/12/23 12:57

L Number	Hits	Search Text	DB	Time stamp
1	15142	credit adj card	USPAT	2003/12/22 14:57
2	440	line adj credit	USPAT	2003/12/22 14:57
3	1	multiple near4 (line adj credit)	USPAT	2003/12/22 15:14
4	1	multiple near (line adj credit)	USPAT	2003/12/22 14:59
5	337	(credit adj card) and (line adj credit)	USPAT	2003/12/22 14:59
6	0	dual near4 (line adj credit)	USPAT	2003/12/22 15:15
7	0	dual near4 (credit adj line)	USPAT	2003/12/22 15:15
8	0	dual near (credit adj line)	USPAT	2003/12/22 15:15
9	17	dual near4 (credit adj card)	USPAT	2003/12/22 15:15
14	8	5748908.URPN.	USPAT	2003/12/22 15:19
15	95	value adj pay	USPAT	2003/12/22 15:47
16	7	cobranded	USPAT	2003/12/22 15:47

Set	Items	Description
S1	24869	CAPITAL (W) ONE
S2	277	VALUE(W)PAY
S3	1	S1 AND S2
S4	11220	VALUE(W)ONE
S5	19	S1 AND S4
S6	17	RD (unique items)
S7	8	DUAL (W) CREDIT (W) LINE

12/22/03

SHOW FILES

File 15:ABI/Inform(R) 1971-2003/Dec 20
(c) 2003 ProQuest Info&Learning

File 9:Business & Industry(R) Jul/1994-2003/Dec 19
(c) 2003 Resp. DB Svcs.

File 610:Business Wire 1999-2003/Dec 22
(c) 2003 Business Wire.

File 810:Business Wire 1986-1999/Feb 28
(c) 1999 Business Wire

File 275:Gale Group Computer DB(TM) 1983-2003/Dec 22
(c) 2003 The Gale Group

File 476:Financial Times Fulltext 1982-2003/Dec 22
(c) 2003 Financial Times Ltd

File 624:McGraw-Hill Publications 1985-2003/Dec 19
(c) 2003 McGraw-Hill Co. Inc

File 621:Gale Group New Prod.Annou.(R) 1985-2003/Dec 19
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File 636:Gale Group Newsletter DB(TM) 1987-2003/Dec 22
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File 613:PR Newswire 1999-2003/Dec 22
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File 813:PR Newswire 1987-1999/Apr 30
(c) 1999 PR Newswire Association Inc

File 16:Gale Group PROMT(R) 1990-2003/Dec 22
(c) 2003 The Gale Group

File 160:Gale Group PROMT(R) 1972-1989
(c) 1999 The Gale Group

File 634:San Jose Mercury Jun 1985-2003/Dec 20
(c) 2003 San Jose Mercury News

File 148:Gale Group Trade & Industry DB 1976-2003/Dec 19
(c)2003 The Gale Group

File 20:Dialog Global Reporter 1997-2003/Dec 22
(c) 2003 The Dialog Corp.

File 35:Dissertation Abs Online 1861-2003/Nov
(c) 2003 ProQuest Info&Learning

File 583:Gale Group Globalbase(TM) 1986-2002/Dec 13
(c) 2002 The Gale Group

File 65:Inside Conferences 1993-2003/Dec W3
(c) 2003 BLDSC all rts. reserv.

File 2:INSPEC 1969-2003/Dec W1
(c) 2003 Institution of Electrical Engineers

File 233:Internet & Personal Comp. Abs. 1981-2003/Jul
(c) 2003, EBSCO Pub.

File 474:New York Times Abs 1969-2003/Dec 20
(c) 2003 The New York Times

File 475:Wall Street Journal Abs 1973-2003/Dec 19
(c) 2003 The New York Times

File 99:Wilson Appl. Sci & Tech Abs 1983-2003/Nov
(c) 2003 The HW Wilson Co.

File 256:SoftBase:Reviews,Companies&Prods. 82-2003/Nov
(c)2003 Info.Sources Inc

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File 348:EUROPEAN PATENTS 1978-2003/Dec W02
        (c) 2003 European Patent Office
File 349:PCT FULLTEXT 1979-2002/UB=20031218,UT=20031211
        (c) 2003 WIPO/Univentio
File 347:JAPIO Oct 1976-2003/Aug(Updated 031202)
        (c) 2003 JPO & JAPIO
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Set	Items	Description
S1	8834	COBRANDED
S2	163	DUAL(W)CREDIT
S3	12	S1 AND S2
S4	11	RD (unique items)
S5	8	S4 AND PY<2001

T S5/FULL/ALL

5/19/1 (Item 1 from file: 15)
DIALOG(R)File 15:ABI/Inform(R)

01092932 97-42326
Store card software gets dressed up
Lucas, Peter
Credit Card Management v8n6 PP: 90-93 Sep 1995 ISSN: 0896-9329
JRNL CODE: CCM
DOC TYPE: Journal article LANGUAGE: English LENGTH: 3 Pages
WORD COUNT: 1690

ABSTRACT: Retailers are starting to demand credit card processing software capable of capturing and analyzing data on cardholder buying habits, managing multiple rewards programs for a single account, and facilitating special payment plans on specific merchandise. The goal is to create incentives that will differentiate store cards from 3rd-party plastics. The new roles for retail card processing software is putting more pressure on the small group of software vendors serving the retail card market. To further meet retailers' changing needs, software houses are overhauling outdates systems, and the results have been promising. Retailers can now purchase off-the-shelf processing programs that require minimal customization to become a potent marketing tool. At the same time, the new generation of retail card processing software has greater capacity.
TEXT: As recently as three years ago, retailers saw little connection between cutting edge credit card processing and marketing prowess. What retailers wanted out of processing software was little more than a system that could do a competent job of producing statements, monitoring a cardholder's credit limits, opening accounts and posting cardholder payments. Consequently, store card issuers balked at spending up to $1 million to upgrade their processing software to include more marketing-oriented applications, such as data gathering to create cardholder incentive programs that reward loyalty, a la bank card issuers.

No more. The proliferation of cobranded and cut-rate bank cards is prompting more and more consumers to favor those cards over store plastic, producing a wave of fear among retailers that they could lose a key link to their most loyal customers. The trend is awakening many retailers to a need to mine transaction data from their store cards to create tempting merchandise offers for targeted groups of cardholders, ultimately even individual cardholders.

To reach this objective, retailers are starting to demand processing software capable of capturing and analyzing data on cardholder buying habits, managing multiple rewards programs for a single account, and facilitating special payment plans on specific merchandise. The goal is to create incentives that will differentiate store cards from third-party plastic. "Processing technology is becoming more important to retailers as they realize it can extract transaction data that helps them reach their customers in new ways and boost sales," explains Sam Dommer, vice president

and director of sales for Wood Dale, Ill.-based Household Retail Services, a leading retail card processor.

Beyond Basics

Not only are retailers insisting that software do more than just basic processing, but they're also looking at programs to handle dual credit lines as cobranded store cards take hold. One credit line would be for store purchases, the other would be for spending outside the store. And a few big retailers are building enough processing capacity that they might even sell such services to small and mid-sized retailers, a strategy that can open a new revenue stream. Mercantile Stores Co. Inc., which just opened a state-of-the-art processing facility, says it is contemplating just such a move.

The new roles for retail card processing software is putting more pressure on the small group of software vendors serving the retail card market. Fewer than a dozen vendors cater specifically to the market. About five vendors control the lion's share of sales, including Maitland, Fla.-based CCS Technology Group, Milwaukee-based Deluxe Data Systems Inc., Little Rock, Ark.-based Arkansas Systems Inc., Dallas-based Hogan Systems Inc. and St. Petersburg, Fla.-based BancTec Payment Systems.

More and more retailers, recognizing a pressing need to develop cardholder rewards programs to differentiate their cards from third-party cards, are calling on these vendors for help. Whereas many cobranded bank cards pull in cardholders with long-term incentives such as automobile rebates or frequent-flier miles that can be built up over years before they are redeemed, retailers are designing incentive programs with shorter redemption periods. In doing so, retailers hope to build store traffic quickly during key shopping periods and avoid carrying huge rebate liabilities on their books.

Milwaukee-based Carson Pirie Scott & Co. last year altered its processing software to manage a rewards program during the Christmas shopping season. The hope was to push the percentage of store card sales well over 50% for the period. On average, 49.7% of Carson's sales are made on its store card.

To make the program work, Carson's revised its software to post a 5% rebate to accounts of cardholders who had purchased more than $150 in merchandise. Once the promotion closed, the system in January automatically mailed discount checks to cardholders who accumulated rebate dollars. The checks were valid for redemption during the spring shopping season. If they were not redeemed at that time, cardholders lost the benefit, thereby relieving Carson's of carrying a long-term liability.

Relationship Marketing

Now that retailers have awakened to the fact that processing software can effectively manage such rewards programs, the next step is to write modules within the software capable of supporting multiple rewards programs for a single account, says Paul Schmelzer, vice president of software products for Deluxe Data. Such programs can range from individual product discounts to special financing and payment deals for specific types of merchandise or brands. "Retailers can see how cardholders make use of their relationships with each marketing partner, and gather clues as to what incentives cardholders will respond to and how to increase card volume," explains Schmelzer.

To further meet retailers' changing needs, software houses are overhauling outdated systems, and the results have been promising. Retailers can now

purchase off-the-shelf processing programs that require minimal customization to become a potent marketing tool. Feeding transaction data directly into marketing data bases and managing special financing promotions is now standard fare.

At the same time, the new generation of retail card processing software has greater capacity. Processing 20 or more transactions per second won't strain this new breed of software the way it did the old batch-oriented software retailers previously relied on. "Software vendors have done a pretty good job of developing core systems that are flexible and which don't require a lot of customization to meet retailers changing needs," says Charles R. Ross Jr., vice president of credit services for Specialty Retailers Inc., Houston, Texas.

Indeed, many retailers say the quality of newer off-the-shelf processing programs available is so good that they need only to tweak about 25% of the operating code to manage the sophisticated promotional programs they say are needed to boost volume. Prior, programs were so generic that retailers might end up customizing as much 50% of the program to get the features they desired.

Shape to Need
The low level of customization most retailers insist upon is also being driven by cost. With off-the-shelf packages starting at around $250,000 and rising to about $2 million for highly customized programs, retailers are reluctant to tailor a program that may need extensive revisions in 12 to 24 months when the vendor releases an upgraded version. "It's a matter of maintenance costs," explains Daniel F. Cone, senior vice president of sales for CCS, which has sold its Vision 21 processing software to about 35 retailers. "Some retailers look to vendors to keep operating costs down by relying on them to rewrite code and add new functions in new releases."

Still, some retailers prefer a staff of in-house programers who can adjust processing software by adding or deleting incentive programs on the fly to meets the rapidly evolving needs of consumers faster. Mercantile is one such retailer. Fairfield, Ohio-based Mercantile, which recently pulled its processing in-house from Citicorp Retail Services to a new, $9 million operations center in Baton Rouge, La. ("Retail Card Issuers Retreat," Card Watch, July), chose to rework the bulk of its processing software. "By taking ownership of our software, we'll be on a faster track when it comes to modifying the program than if we relied on a vendor," says Charles O. Unfried, president of Mercantile Card Services. "We can prioritize our needs."
Just as software vendors are reducing the need for specialized code and testing modules to manage multiple rewards programs, so too are they writing programs that can support dual credit lines for cobranded retail cards. By offering separate lines of credit for in-store and out-of-store purchases, retailers striking cobranding deals can assure themselves that their customers will always have enough credit available to shop at their stores.

With such leading retailers as Fingerhut Cos., Federated Department Stores, and Nordstrom Inc. having introduced cobranded cards, it is only a matter of time before retailers begin clamoring for software that can support dual credit lines, predicts Steven B. Grubb, president and chief executive of CCS Technologies. "This concept has big potential," he says.

And as cobranding blurs the lines between retail and third-party cards, large retailers are expected to add bank card processing modules to their back offices. Doing so will help retailers identify which of their customers shop with third-party cards and what type of merchandise they

buy, when before they had no way of tracking this information.

The module would track data on all third-party transactions, providing the merchant with clues as to what incentives they could pitch to induce those cardholders to apply for their store card.

Such intelligence can help retailers refine their marketing efforts and develop incentives that can persuade customers using third-party cards to open a store card account. Several retailers are already beginning to consider adding bank card modules to their processing software, according to software vendors.

One of the first retailers to add bank card processing to its back office, Seattle-based Nordstrom, is reaping valuable intelligence from the transaction data on its Visa cobranded card, such as how much cardholders are spending with competitors, in addition to tracking in-store purchases.

And retailers with excess capacity to process third-party cards can sell their services to other retailers, opening a whole new revenue stream. Mercantile says it is likely to follow just such a path. "Our system is designed to handle triple our current capacity," says Mercantile's Unfried. "We may very well get into third-party processing in the next five years."

Further down the road, software vendors envision the day when software can process card applications filled out with even less data used now for instant credit programs--which require name, address, place of employment and salary--to open a new account.

Achieving this goal won't be easy. "There comes a point where you can't collect less data in order to make a sound credit decision," says Household's Dommer. "But this challenge will keep advancing processing software."

That's good news for retail operations managers who never feel satisfied with the technology they have, according to Al Meyer, director of credit systems for Dayton Hudson Guest Credit. "Operations people always want better technology," he says.

Indeed, the desire by retailers to stabilize or reverse the market-share losses of their store card sales to Visa, MasterCard, American Express and Discover ensures that the demand for better technology will not cease. Now it's up to the vendors to meet that demand.

THIS IS THE FULL-TEXT.
GEOGRAPHIC NAMES: US

DESCRIPTORS: Co-branding; Credit cards; Retailing industry; Software packages; Software industry
CLASSIFICATION CODES: 9190 (CN=United States); 8390 (CN=Retailing industry) ; 3200 (CN=Credit management); 5250 (CN=Telecommunications systems)

5/19/2 (Item 1 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

2253144 Supplier Number: 02253144 (THIS IS THE FULLTEXT)
New Ad Effort, Brand Woes Await Next Novus Chief
(Novus Services will launch a new ad campaign in 11/98 that will refocus on its Discover Card)
Card Marketing, v 2, n 8, p 1+

September 1998
DOCUMENT TYPE: Journal ISSN: 1095-6263 (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 1030

ABSTRACT:
Novus Services will launch a new ad campaign in 11/98 that will refocus on its Discover Card. The firm is said to be considering redoing all brand marketing programs after the failure of its Bravo credit card. Discover also plans to name a successor for Thomas R Butler, president and chief operating officer, who will face a large number of Discover delinquencies and stiff rivalry from banks offering special feature credit or new affinity cards. Novus spent about $100 mil on all advertising in 1997, according to Competitive Media Reporting. It has been seeking partners to introduce new Novus cobranded cards and is spending money on local sponsorships.

TEXT:
By Kate Fitzgerald

Novus Services will refocus attention on its well-known Discover Card in a significant new advertising campaign expected to break in November.

The credit card marketing company also plans to name this month a successor for its president and chief operating officer, Thomas R. Butler, who will step down at the end of the year. Analysts expect the new president to be a veteran with experience in marketing cobranded cards.

The company is rumored to be putting marketing efforts for its umbrella Novus Network brand on the back burner as it returns to a back-to-basics strategy after several missteps in recent years.

"Discover Card is a name with more than a decade of brand equity, and we will be emphasizing it in the near future," says a spokeswoman for Novus Services, River Woods, Ill., the credit card operation owned by Morgan Stanley, Dean Witter & Co. Novus executives would not comment on the new president or the upcoming ad campaign, which is likely to be handled by DDB Needham Worldwide, Chicago, Discover's longtime ad agency.
But executives close to Novus say the company is eager to go back to the drawing board on all of its brand marketing efforts, after several recent marketing missteps, including the embarrassing failure of its Bravo credit card, which was discontinued after two years.

photo omitted

"The timing was wrong on several things Discover's management tried in recent years and although they were aggressive marketers, they weren't innovative enough. Discover no longer resembles the revolutionary credit product introduced in the mid-1980s that actually changed the industry," says Stuart Feldstein, president of Budd Lake, N.J.-based SMR Research Corp., a credit card research and consulting firm.

After the Bravo snafu, Novus announced Butler's impending departure. By naming a new leader, Novus is following an industry pattern by installing a new chief -- MasterCard International named Robert Selander as its president-CEO in March 1997; Visa International named Malcolm Williamson its president-CEO in June 1998.

New chief will have hands full
The new chief will inherit a significant burden of delinquencies in the Discover portfolio and fierce competition from banks offering hot new

affinity and special feature credit cards bearing the Visa and MasterCard logos. On the other hand, analysts say Discover is positioned to produce healthy profits if it moves quickly to correct its mistakes.

"Discover has a great positioning in the marketplace if they make some very innovative moves to re-establish the card as revolutionary," says Feldstein. Last year Novus spent an estimated $100 million on all advertising, according to Competitive Media Reporting, most of it on Discover. Almost half was spent on network TV advertising for Discover's current "Make A Statement" campaign featuring celebrities such as actress Teri Hatcher, skater Scott Hamilton, and actor John Lithgow.

Nearly $10 million was spent on cable TV for Discover, where Novus has attempted to target consumers on lifestyle and entertainment programming, and the remainder was spent in radio advertising and syndicated and spot TV, respectively. Discover's premium Private Issue card, decorated with celebrities' artwork, received just under $5 million in advertising last year, mostly in spot and cable TV.

Novus also has begun shelling out more money on local sponsorships, making Discover the preferred card of various tourism venues, including this year's exclusive deal to be the official card of the Kennedy Space Center in Cape Canaveral, Fla.

In the past year Novus has become aggressive in seeking partners to launch new cobranded cards under the Novus name. The Smithsonian Card was announced in May 1997 under the Novus brand, giving users a $50 U.S. Savings Bond for every $5,000 in purchases. In August Novus announced a new partnership with Busch Entertainment Corp.'s Anheuser-Busch Adventure Parks for a cobranded card to be launched early next year.

Other cobranded Novus card ventures include deals with Independent Grocers Alliance, Universal Studios, BrandSmart USA Stores, and the National Alliance for Species Survival.

Off to a quick start

Launched by Sears, Roebuck & Co. in late 1985 as the first new credit card brand to be introduced in 30 years, Discover made a huge splash as the first major credit card with no annual fee. It also pioneered the arrival of a new breed of perks and incentives with its unique 1% cashback feature. Despite its early, bold positioning, Discover failed to capitalize on some of the hottest trends of the 1990s -- the company, for example, never partnered with an airline for a frequent-flier card program and it was late to enter the cobranded arena.

In the early 1990s the Novus Network was launched as an umbrella acceptance brand designed to expand the company's credit services by adding new cards aimed at different market segments, all under the Novus name.

Results of that strategy have been erratic. Before pulling the plug on Bravo earlier this year, Novus spent $20 million advertising it in the previous 12 months. The card offered dual credit lines featuring different interest rates, and Novus attempted to differentiate it from mushrooming special-feature credit cards by giving it an entertainment spin, offering discounts on music events and movie tickets in exchange for using the card.

Despite solid advertising and promotions, Bravo's failure suggests Novus will continue to have difficulty marketing multiple products under the Novus Network banner, analysts say.

"There has definitely been some confusion over products and brands, with Novus and Bravo competing for attention and consumers unsure about what Discover had become," says Bruce Brittain, president of Atlanta-based Brittain & Associates, a credit card research firm that analyzed consumer attitudes toward Novus Network cards in 1996, when Bravo was launched as a standalone product bearing the Novus logo.

To resolve consumer confusion and get its core product back on track, analysts believe Novus will return to emphasizing Discover in TV advertising, while scaling back separate marketing efforts for Novus. Some even suggested Discover could end up as a cobranded Visa or MasterCard product.

"If Discover became a MasterCard or Visa, it would solve a lot of problems, but I don't know who's looking to buy it or if it's even for sale," says Feldstein of SMR Research. Novus executives would not comment on the speculation.

COMPANY NAMES: NOVUS SERVICES INC
INDUSTRY NAMES: Financial services; Payment cards
PRODUCT NAMES: Credit and debit cards (614200)
CONCEPT TERMS: Ad budget; All company; All market information; Corporate strategy; Marketing campaign
MARKETING TERMS: All media; Ad volume
BRAND NAMES: Discover.
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

5/19/3 (Item 2 from file: 9)
DIALOG(R)File 9:Business & Industry(R)
(c) 2003 Resp. DB Svcs. All rts. reserv.

1658923 Supplier Number: 01658923 (THIS IS THE FULLTEXT)
COWBRANDED CARD
(MBNA Corp's latest cobranded card offering is Gateway 2000 Moola MasterCard issued for Gateway 2000 Inc, personal computer maker)
Card Fax, v 96, n 205, p 1
November 14, 1996
DOCUMENT TYPE: Newsletter; News Brief (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 130

TEXT:
COWBRANDED CARD: MBNA Corp.'s latest cobranded card offering is the Gateway 2000 Moola MasterCard issued for Sioux City, SD-based Gateway 2000 Inc., the personal computer maker known for its cow-themed marketing campaigns. Dial National Bank last month discontinued a dual-credit-line MasterCard that allowed cardholders to choose from either a private-label line of credit for Gateway purchases or a general purpose credit line. The MBNA-issued cobranded card carries no annual fee and offers a 1% rebate, paid in Moola dollars, on all purchases. Cardholders need a minimum of 25 Moola dollars to redeem points toward Gateway merchandise, and can carry over points up to five years. The card has an introductory interest rate of 5.9% for the first five months; it then shifts to prime (8.25% plus 9.9 percentage points (18.15%).

COMPANY NAMES: GATEWAY 2000 INC; MBNA CORP
INDUSTRY NAMES: Computer; Financial services; Payment cards; Personal computers
PRODUCT NAMES: Personal computers (357160); Credit and debit cards (614200)
CONCEPT TERMS: All company; Corporate strategy
MARKETING TERMS: All product marketing; Cobranding
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

5/19/4 (Item 3 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1368238 Supplier Number: 01368238 (THIS IS THE FULLTEXT)
Affinity/Cobranded Card Issuers
(Affinity/cobranding success story in card marketing continues; Top 50 Affinity Programs had 66.2 mil cobranded/affinity cards at beginning of 1995)
Card Industry Directory, p 207+
1996
DOCUMENT TYPE: Journal ISSN: 1051-6778 (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 828

ABSTRACT:
The affinity/cobranding success story in card marketing continues, with MasterCard holding the edge as the brand-of-choice in this corner of the world. MasterCard raised the number of cobranded cards with its logo to 51.8 mil in 1994. Meanwhile, Visa saw a 25% jump in its Visa cobrand/affinity cards to 40 mil by the end of 1995. Now, Visa and Mastercard go head to head in attempts to win new partners in the cobranding game. The top 50 Affinity Programs had 66.2 mil cobranded/affinity cards in circulation at the beginning of 1995, 72% of the total market and up from last year's Top 50 affinity programs, which totaled 46.2 mil.

TEXT:
Hype can blunt the importance and impact of significant events, and that is the case with credit card cobranding. If the sheen on this card marketing initiative seemed to fade in 1975, it is because expectations had been elevated so high following the runaway success of the GM card. By any objective measure, the affinity/cobranding success story continues. MasterCard continues to hold the edge as the brand-of-choice in this corner of the card world. In 1994, MasterCard boosted the number of cobranded cards with its logo to 51.8 million, almost 40% of all MasterCard plastic. At the same time, Visa jumped into the game with a vengeance. By year's end, the number of Visa cobrand/affinity cards had jumped 25% to 40 million. The card associations now go toe to toe in wooing new cobranding partners, with notable successes for both sides. Visa literally scored a blockbuster deal early in 1995 when the Blockbuster Visa card from NationsBank debuted. MasterCard continued its dominance in the oil patch when it unveiled the Gulf MasterCard, issued by Fleet Financial, at about the same time. Both brands are making inroads with retailers, Visa with Federated Department Stores and Nordstrom, MasterCard with BJ's Wholesale Club. But perhaps the biggest plumb of 1995 went to American Express, which will issue a cobranded Optima card with Delta, the last of the unaligned airlines. The Delta deal was hotly pursued by more than a dozen Visa and MasterCard issuers.

The distinction between affinity and cobranded cards is one the card associations don't care to make. The difference is an arbitrary one, at best. In either case, the issuer and its partner typically share billing on the face of the cards. The involvement of the partner is probably the biggest difference, with traditional affinity partners taking a passive role, lending the use of their names and mailing lists in return for a share of interchange revenues and perhaps $1 for each new cardholder who enrolls. Contrast that role with the high profile of General Motors in promoting and managing the GM card, which sublimates the issuer's name. That approach has proven highly successful, with more than 12 million cards in circulation in mid-1995, including 450,000 cardholders who have redeemed their rebates when purchasing a new GM vehicle. The success of GM has not gone unnoticed by traditional affinity groups, some of which are integrating credit cards into an umbrella of financial services for their members. The most notable examples of this strategy are being developed by the American Automobile Association, which intends to establish a card-issuing bank, and the American Dental Association, which is expected to server its long-term affinity relationship with MBNA America at the end of 1995 in favor of a "lifestyle" package of member services including student-loan consolidations, new-business loans, and credit cards.

Coincidentally, cobranding's other major success story also revolves around the automobile. In 12 months, the Shell MasterCard from Chemical Bank attracted more than 4 million cardholders and $2.2 billion in receivables. Consumers redeemed rebates on the cards for more than $50 million worth of Shell gasoline and demonstrated a willingness to carry a balance on a dual gas/bank card: despite the unseasoned nature of those accounts, balances were averaging more than $1,200 in early 1995.

The Shell MasterCard breaks out gas and general retail charges on monthly invoices, creating a quasi-dual credit line. A similar approach is being used to penetrate other retail categories by Dial Bank, which has created cobranded cards with two trade lines, one for use exclusively at the participating retailer and the other a general-purpose line of credit. Different interest rates and fees apply to the lines.

Dial Bank

Not every cobranded deal has measured up to expectations. Dean Witter, Discover's long-awaited Prime Option card finally debuted in 1994, but it appeared to be an idea whose time had passed. Originally conceived in 1991, the card's launch was blocked by legal wrangling with Visa before Discover finally was able to strike a deal with NationsBank for issuance under the MasterCard logo. An aggressive TV campaign and a 6 million-piece pre-approved mailing in the spring weren't enough to prevent Prime Option from becoming an afterthought by year's end. Neither Discover or NationsBank's entire portfolio grew by less than $1 billion for the year speaks volumes about the market's indifference to Prime Option. Another cobranding belly-flop was 1995's PGA Partners card, issued by SunTrust and marketed by enhancement experts Ideon Group Inc.

Cobranded and affinity cards aren't the only value-added offers scoring a hit with consumers. The CornerStone MasterCard, which rebates a portion of cardholder interest payments, attracted 600,000 customers by early 1995, prompting issuer Mellon Bank to offer an affinity version of the card with U.S. Med, a specialist in health-card credit cards.

The 50 issuers profiled in the following pages had 66.2 million cobranded/affinity cards in circulation at the beginning of 1995, 72% of the total market and up significantly from last year's Top 50 tally of 46.2 million.

COMPANY NAMES: MASTERCARD INTERNATIONAL INC; VISA
INDUSTRY NAMES: Financial services; Payment cards
PRODUCT NAMES: Credit and debit cards (614200)
CONCEPT TERMS: All market information; Market size; Trends
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

5/19/5 (Item 4 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1285402 Supplier Number: 01285402 (THIS IS THE FULLTEXT)
Dean Witter Ups the Ante With a Two-Tier Credit Line
(Dean Witter, Discover & Co introduced a new general-purpose card called Bravo as it seeks to expand its line of products and boost its Novus brand)
Credit Card News, p 1+
September 15, 1995
DOCUMENT TYPE: Newsletter (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 861

ABSTRACT:
Dean Witter, Discover & Co introduced a new general-purpose card called Bravo as it seeks to expand its line of products and boost its Novus brand. The card comes with a 0% interest on purchases and just 4.9% for balance transfers until February, with dual credit lines. Bravo will be accepted at 2.4 mil merchant sites carrying the Discover/Novus logo. Dean Witter announced plans to issue more cards in 1996. Analysts believe that the 2 credit lines may confuse some customers but others think that it will overcome any possible confusion. Dean Witter can reach a wider market through segmenting. Initially, the Bravo card will be offered in 29 major markets encompassing 35% of all US households, with a national rollout at a later date. The card will mainly be marketed through mailings supported by a TV ad campaign.

TEXT:
Seeking to expand its stable of products and boost its Novus brand, Dean Witter, Discover & Co. this month took the wraps off a new general-purpose card product called Bravo. Bravo's claim to fame is two credit lines in one card, a feature some analysts say could confuse consumers. But Dean Witter says it's the perfect card for consumers who want to segment their purchases. The card also comes in with the ultimate teaser rate -- 0% interest on purchases and only 4.9% for balance transfers until February.

The card features dual credit lines: A no-annual-fee basic credit line for everyday purchases with an interest rate after February of prime (currently 8.75%) plus 8.9% -- 17.65%; and the reserve line for purchases of $250 or more with a rate of prime plus 5.9% -- 14.65% -- after March. It is hope the lower interest rate will spur activity for the purchase of big-ticket items. The line can only be accessed by special no-fee checks.

Bravo is the third card -- including Discover and its upscale cousin, Private Issue -- to be marketed under dean Witter's Novus brand. That means it will be accepted at the 2.4 million merchant locations that carry the Discover/Novus logo.

The relaunching of Private Issue and launching of Bravo is proof that Dean Witter, Discover is serious about delivering more charge volume to Novus, says securities analyst Guy Moszkowski, a principal with New York-based

Sanford C. Bernstein & Co. And earlier this year, Dean Witter announced plans to issue more cards in 1996. The company has refused to reveal specifics about the new cards but says they are in response to a changing marketplace and may include a cobranded card. "Cobranding clearly works for some players and it's the next step in the segmentation of the market," Moszkowski says.

Bravo's two credit lines are another example of how card products are evolving, offering more specialized features to meet specialized needs, Bill Hodges, executive vice president of Novus Services. "It will satisfy some portion of the market."

Dean Witter opted for the two credit lines after research indicated consumers prefer such a feature, Hodges says. It also provides an extra cushion. "People are looking for financial control and like compartmentalizing," Hodges says of the second credit line. "We think consumers will embrace it; it satisfies a need people have."

But analysts believe the two credit lines may prove confusing to customers. Getting customers to accept Bravo's unique features will require skillful communication, says Bruce Brittain, president of Atlanta-based Brittain Associates Inc., a firm that monitors Discover's market share. "You really have to do an awful lot of communication with consumers about what the choices are," he says. "You have to assume people will understand how two credit lines benefit them."

Adds securities analyst David Hilder of Morgan Stanley & Co., New York: "This is something that is a bit more complicated than the average card so I don't know if it will be successful. But success is defined in a variety of ways."

Doing Their Homework

Other analysts think Dean Witter will overcome any possible confusion. "Their strong suit is marketing and they do their homework," says Susan L. Roth, managing director for equity research at New York-based Bear Stearns & Co, Inc.
Dean Witter also runs the risk of Bravo cannibalizing the Discover card's base. "There are people already in Discover's card base that match the description of Bravo's target customers," Brittain says. "I'm sure they will try to avoid marketing the card to people in their own data base, but there's bound to be some overlap."

While questioning the possible confusion over two credit lines, Brittain says the fact Dean Witter is coming out with various products clearly shows it knows the key to longevity is segmentation. "Because Discover is confined to the U.S., they're going to have to steal market share," Brittain says. "They're trying to come out with cards that appeal to the various market segments."

Dean Witter can reach a broader market through segmenting, adds securities analyst Robert G. Hottsensens of Goldman, Sachs & Co., New York. "They're trying to develop an identity for Novus at the point of sale and gradually reinforce the Novus name among consumers as being their proprietary network," he says.

Initially, the Bravo card will be available in 20 major markets encompassing 35% of all U.S. households, including those in Chicago, Philadelphia and Boston. National rollout is planned at a date to be announced. The card primarily will be marketed through mailings supported by a television advertising campaign.

Unlike its sisters, Discover and the recently relaunched Private issue card, Bravo offers no rebates. But it has an over-limit protection feature called Approval: Yes! allowing car members to make purchases, balance transfers and cash advances that exceed their basic credit limit by up to 15%. Also, the card offers a choice of billing dates and access to more than 85,000 Novus Cash Network ATMs nationwide.

Dean Witter's nine-year-old Discover card has reaped healthy profits in recent years. Discover has racked up 32.1 million accounts with a tiered rebate of up to 1% of charge volume and no annual fee.

COMPANY NAMES: DEAN WITTER DISCOVER & CO (SEARS ROEBUCK & CO)
INDUSTRY NAMES: Financial services; Payment cards
PRODUCT NAMES: Credit and debit cards (614200)
CONCEPT TERMS: All market information; All product and service information ; Marketing campaign; Number outlets; Product introduction
MARKETING TERMS: All media; Direct mail; TV advertising
BRAND NAMES: Bravo; Novus
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

5/19/6 (Item 5 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1273457 Supplier Number: 01273457 (THIS IS THE FULLTEXT)
Store Card Software Gets Dressed Up
(Credit card processing software vendors scramble to keep up with demands from retailers for more powerful software)
Credit Card Management, v 8, n 6, p 90+
September 1995
DOCUMENT TYPE: Journal ISSN: 0896-9329 (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 1717

ABSTRACT:
Retail credit card processing software vendors are scrambling to keep up with demands from retailers for more power in their software. Consumers are generally moving away from store credit cards to cobranded and cheaper bank credit cards, and retailers are concerned that they could lose a key link to their most loyal customers. Thus, many retailers want to use transaction data from their store cards to create attractive merchandising offers to targeted groups of cardholders. Thus, retailers want software that can analyze data on cardholder buying habits, manage multiple rewards programs from a single account and facilitate special payment plans on specific merchandise.
About 5 vendors dominate the retail credit card processing software market: CCS Technology Group (Maitland, FL), Deluxe Data Systems Inc (Milwaukee, WI), Arkansas Systems Inc (Little Rock), Hogan Systems Inc (Dallas, TX) and BancTec Payment Systems (St Petersburg, FL).

Full text further discusses demands placed on retail credit card processing software vendors by retailers.

TEXT:
Retailers want more out of their processing software these days. These demands, driven by the inroads of third-party cards into department store

sales, have software vendors scrambling.

By Peter Lucas

As recently as three years ago, retailers saw little connection between cutting edge credit card processing and marketing prowess. What retailers wanted out of processing software was little more than a system that could do a competent job of producing statements, monitoring a cardholder's credit limits, opening accounts and posting cardholder payments. Consequently, store card issuers balked at spending up to $1 million to upgrade their processing software to include more marketing-oriented applications, such a data gathering to create cardholder incentive programs that reward loyalty, a la bank card issuers.

No more. The proliferation of cobranded and cut-rate bank cards is prompting more and more consumers to favor those cards over store plastic, producing a wave of fear among retailers that they could lose a key link to their most loyal customers. The trend is awakening many retailers to a need to mine transaction data from their store cards to create tempting merchandise offers for targeted groups of cardholders, ultimately even individual cardholders.

To reach this objective, retailers are starting to demand processing software capable of capturing and analyzing data on cardholder buying habits, managing multiple rewards programs for a single account, and facilitating special payment plans on specific merchandise. The goal is to create incentives that will differentiate store cards from third-party plastic. "Processing technology is becoming more important to retailers as they realize it can extract transaction data that helps them reach their customers in new ways and boost sales," explains Sam Dommer, vice president and director of sales for Wood Dale, Ill.-based Household Retail Services, a leading retail card processor.

Beyond Basics

Not only are retailers insisting that software do more than just basic processing, but they're also looking at programs to handle dual credit lines as cobranded store cards take hold. One credit line would be for spending outside the store. And a few big retailers are building enough processing capacity that they might even sell such services to small and mid-sized retailers, a strategy that can open a new revenue stream. Mercantile Stores Co. Inc., which just opened a state-of-the-art processing facility, says it is contemplating just such a move.

The new roles for retail card processing software is putting more pressure on the small group of software vendors serving the retail card market. Fewer than a dozen vendors cater specifically to the market. About five vendors control the lion's share of sales, including Maitland, Fla.-based CCS Technology Group, Milwaukee-based Deluxe Data Systems Inc., Little Rock, Ark.-based Arkansas Systems Inc., Dallas-based Hogan Systems Inc. and St. Petersburg, Fla.-based BancTec Payment Systems.

More and more retailers, recognizing a pressing need to develop cardholder rewards programs to differentiate their cards from third-party cards, are calling on these vendors for help. Whereas many cobranded bank cards pull in cardholders with long-term incentives such as automobile rebates or frequent-flier miles that can be built up over years before they are redeemed, retailers are designing incentive programs with shorter redemption periods. In doing so, retailers hope to build store traffic quickly during key shopping periods and avoid carrying huge rebate liabilities on their books.

Milwaukee-based Carson Pirie Scott & Co. last year altered its processing software to manage a rewards program during the Christmas shopping season. The hope was to push the percentage of store card sales well over 50% for the period. On average, 49.7% of Carson's sales are made on its store card.

To make the program work, Carson's revised its software to post a 5% rebate to accounts of cardholders who had purchased more than $150 in merchandise. Once the promotion closed, the system in January automatically mailed discount checks to cardholders who accumulated rebate dollars. The checks were valid for redemption during the spring shopping season. If they were not redeemed at that time, cardholders lost the benefit, thereby relieving Carson's of carrying a long-term liability.

Relationship Marketing

Now that retailers have awakened to the fact that processing software can effectively manage such rewards programs, the next step is to write modules within the software capable of supporting multiple rewards programs for a single account, says Paul Schmelzer, vice president of software products for Deluxe Data. Such programs can range from individual product discounts to special financing and payment deals for specific types of merchandise or brands. "Retailers can see how cardholders make use of their relationships with each marketing partner, and gather clues as to what incentives cardholders will respond to and how to increase card volume," explains Schmelzer.

To further meet retailers' changing needs, software houses are overhauling outdated systems, and the results have been promising. Retailers can now purchase off-the-shelf processing programs that require minimal customization to become a potent marketing tool. Feeding transaction data directly into marketing data bases and managing special financing promotions is now standard fare.

At the same time, the new generation of retail card processing software has greater capacity. Processing 20 or more transactions per second won't strain this new breed of software the way it did the old batch-oriented software retailers previously relied on. "Software vendors have done a pretty good job of developing core systems that are flexible and which don't require a lot of customization to meet retailers changing needs," says Charles R. Ross Jr., vice president of credit services for Speciality Retailers Inc., Houston Texas.

Indeed, many retailers say the quality of newer off-the-shelf processing programs available is so good that they need only to tweak about 25% of the operating code to manage the sophisticated promotional programs they say are needed to boost volume. Prior, programs were so generic that retailers might end up customizing as much 50% of the program to get the features they desired.

Shape to Need

The low level of customization most retailers insist upon is also being driven by cost. With off-the-shelf packages starting at around $250,000 and rising to about $1 million for highly customized programs, retailers are reluctant to tailor a program that may need extensive revisions in 12 to 24 months when the vendor releases an upgraded version. "It's a matter of maintenance costs," explains Daniel F. Cone, senior vice president of sales for CCS, which has sold its Vision 21 processing software to about 35 retailers. "Some retailers look to vendors to keep operating costs down by relying on them to rewrite code and add new functions in new releases.

Still, some retailers prefer a staff of in-house programmers who can adjust processing software by adding or deleting incentive programs on the fly to meet the rapidly evolving needs of consumers faster. Mercantile is one such retailer. Fairfield, Ohio-based Mercantile, which recently pulled its processing in-house from Citicorp Retail Services to a new, $9 million operations center in Baton Rouge, La. ("Retail Card Issuers Retreat," Card Watch, July), chose to rework the bulk of its processing software. "By taking ownership of our software, we'll be on a faster track when it comes to modifying the program than if we relied on a vendor," says Charles O. Unfried, president of Mercantile Card Services. "We can prioritize our needs."

Just as software vendors are reducing the need for specialized code and testing modules to manage multiple rewards programs, so too are they writing programs that can support dual credit lines for cobranded retail cards. By offering separate lines of credit for in-store and out-of-store purchases, retailers striking cobranding deals can assure themselves that their customers will always have enough credit available to shop at their stores.
With such leading retailers as Fingerhut Cos., Federated Department Stores, and Nordstrom Inc. having introduced cobranded cards, it is only a matter of time before retailers begin clamoring for software that can support dual credit lines, predicts Steven B. Grubb, president and chief executive of CCS Technologies. "This concept has big potential," he says.

And as cobranding blurs the lines between retail and third-party cards, large retailers are expected to add bank card processing modules to their back offices. Doing so will help retailers identify which of their customers shop with third-party cards and what type of merchandise they buy, when before they had no way of tracking this information.

The module would track data on all third-party transactions, providing the merchant with clues as to what incentives they could pitch to induce those cardholders to apply for their store card.

Such intelligence can help retailers refine their marketing efforts and develop incentives that can persuade customers using third-party cards to open a store card account. Several retailers are already beginning to consider adding bank card modules to their processing software, according to software vendors.
One of the first retailers to add bank card processing to its back office, Seattle-based Nordstrom, is reaping valuable intelligence from the transaction data on its Visa cobranded card, such as how much cardholders are spending with competitors, in addition to tracking in-store purchases.

And retailers with excess capacity to process third-party cards can sell their services to other retailers, opening a whole new revenue stream. Mercantile says it is likely to follow just such a path. "Our system is designed to handle triple our current capacity," says Mercantile's Unfried. "We may very well get into third-party processing in the next five years."

Further down the road, software vendors envision the day when software can process card applications filled out with even less data used now for instant credit programs -- which require name, address, place of employment and salary -- to open a new account.

Achieving this goal won't be easy. "There comes a point where you can't collect less data in order to make a sound credit decision," says Household's Dommer. "But this challenge will keep advancing processing software."

That's good news for retail operations managers who never feel satisfied with the technology they have, according to Al Meyer, director of credit systems for Dayton Hudson Guest Credit. "Operations people always want better technology," he says.

Indeed, the desire by retailers to stabilize or reverse the market-share losses of their store card sales to Visa, MasterCard, American Express and Discover ensures that the demand for better technology will not cease. Now it's up to the vendors to meet that demand.

INDUSTRY NAMES: Applications software; Financial services; Payment cards; Software
PRODUCT NAMES: Credit and debit cards (614200); Financial software packages (737268)
CONCEPT TERMS: All market information; Trends
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

5/19/7 (Item 1 from file: 636)
DIALOG(R)File 636:Gale Group Newsletter DB(TM)

03858039 Supplier Number: 48396473 (THIS IS THE FULLTEXT)
Dean Witter Is Dumping Its Bravo Credit Card
Credit Card News, pN/A
April 1, 1998
Language: English Record Type: Fulltext
Document Type: Newsletter; Trade
Word Count: 1179
TEXT:
Morgan Stanley Dean Witter Discover & Co., which is reporting a sharp drop in first-quarter credit card net income, is folding its Bravo card into its remaining Private Issue and Discover card programs. The Bravo label will disappear after it had been marketed in 23 states over a two-year period, the company says, adding that it will now focus on the Discover card.

The Bravo card was first issued in the fall of 1995, and offered a dual line of credit, one for everyday purchases at an interest rate of prime plus 8.9%, and another for major purchases of $250 or more at prime plus 5.9%.

The dual credit line was meant to spur big-ticket purchases and to offer an extra cushion to cash-strapped consumers, Dean Witter said at the time.

Denying speculation that it was considering the sale of the Discover program, Morgan Stanley insists that it's "totally committed to the Discover Card and looking to take it global," an official says.

The company has also entered into an agreement to sell its Prime Option MasterCard program, which analysts estimate at 200,000 cards with about $200 million or more in receivables.

Morgan Stanley declines to name the buyer of Prime Option or to give details on the size of the program, though analysts say a likely buyer is NationsBank, which issues the card. NationsBank declines to comment.

Novus Services, a unit of Morgan Stanley, manages all of its parent's card programs. Morgan Stanley says first-quarter net income in its Credit and Transactions Services group, the bulk of which is credit cards, dropped 21% to $99 million from a year ago. The Prime Option card was launched in 1993, after Dean Witter, then a unit of Sears, tried unsuccessfully to issue it as a bank card through a subsidiary.

Chase Manhattan Moves on up in the Cobranded Airline Card Market

The Chase Manhattan Bank and Continental Airlines are both operating on the theory that bigger is better in partnering in a cobranded frequent-flier card program.

Readying for its launch of Continental Airlines Visa and MasterCard cards, Chase, the nation's fifth-biggest bank card issuer, in December sold its British Airways portfolio to First USA Bank, says Paul Kaiser, Chase's vice president in charge of cobranding. "The British Airways program was very successful for its target audience: international travelers. The Continental program has the potential to be significantly larger," says Kaiser, who adds the program's has international possibilities beyond its obvious domestic customer base.

In letting its 12-year pact with Buffalo, N.Y.-based Marine Midland lapse March 31, Continental, the fifth-largest airline in the U.S., went with a larger presence in the card arena.

"We are looking at expanding our product, obviously there is some growth potential associated with the relationship," says Scott Dunphy, Continental's director of partner and membership marketing.

Partnering with Continental comes along with Chase's strategy of linking with major vendors. "We look at the big ones," says Kaiser. "There are a lot of opportunities out there that frankly should not end up as cobrands."

While First USA is not commenting on its acquisition of the British Airways U.S-based portfolio of about 50,000 accounts, Peter Davidson, Marine Midland's former top card executive, says Chase more than likely had to sell the relatively small portfolio to get the larger airline. "It was probably part of the conditions Continental imposed on them," he says.

For Marine Midland, the 30th-biggest bank card issuer, the loss of its longtime airline partner did not come easily. The bank and Eastern Airlines, which merged with Continental in the late 1980s, launched the nation's first cobranded airline card. Six months ago, when speculation first surfaced that Continental was shopping for a larger issuer, the bank declared it was looking forward to continuing its long relationship with the airline and that Marine Midland had no intention of selling its portfolio.

That stance is now changed. "We are in active discussions with Chase regarding the transfer of the Continental accounts," says a Marine Midland spokesperson.

The portfolio sale could be a lucrative one for Marine Midland, says Davidson, now an executive vice president with Atlanta-based Speer & Associates. Since the bank knows which of the portfolio's roughly 300,000 accounts are profitable, it could take the defensive and try to keep those customers with a replacement frequent-flier program, whereas Chase really needs ownership of the accounts to build a quality portfolio, rather than starting from scratch, says Davidson.

Chase late last month began a direct-mail campaign offering Continental Airlines Visa and MasterCard cards, which offer one mile for every dollar charged. The standard card has a $45 annual fee and an interest rate of prime plus 9.4 percentage points, or 17.9%. The platinum version of the card has a $65 annual fee and an interest rate of prime plus 8.4%, or 16.9%. In addition, Chase is doing an introductory offer for balance transfers and purchases of a fixed rate of 7.9% for six months.

"This is a major card for us; we expect in 1999 we will have a million cards in people's hands," says Kaiser, who adds the bank's mail drop will be backed in the coming weeks by newspaper advertisements, radio spots and in-flight videos.

Big Suppliers Are Unhappy With Discount Rates

The bigger the supplier, the less likely they are to be positive about purchasing cards a new survey finds.

When queried about the fairness of the discount rate, "the big distributors feel it's significantly less fair," says Richard Palmer, a professor of accounting at the University of Tennessee. The sentiment makes

sense, given the interchange rate involves a percentage of the transaction volume. "Obviously for the 10 big wholesalers, there is a huge difference in dollars they transact on the card," Palmer says.

While the interchange rate is discounted for larger transaction volumes, Palmer says the largest suppliers are still less than satisfied. "They feel for their volume it should be even better than it is."

Palmer's research involves questioning the top 48 wholesale distributors, 10 or 21% of which have responded so far. Of those, all 10 accept purchasing cards. In addition, Palmer is surveying 371 suppliers randomly selected from the Thomas Register. Of the 66 who have responded thus far, 21% accept purchasing cards.

In comparing the top 10 to the smaller suppliers, "there is a world of difference in their attitudes," Palmer says. For instance, when asked if the benefits of accepting purchasing cards exceed the costs, only 30% of the top 10 replied positively, compared to 93% of the larger group of smaller suppliers.

"On the acceptance side, there is another ominous finding on the big companies," the professor says. Of the top 10 respondents, 40% said they in corporate purchasing card costs into an overall pricing structure agreement with a particular customer. "It seems fair to pass that cost back to the customer in a low-margin industry," Palmer says. "I don't know how that's going to play with MasterCard, Visa and American Express."

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PUBLISHER NAME: Faulkner & Gray, Inc.
INDUSTRY NAMES: BANK (Banking, Finance and Accounting); BUSN (Any type of business)

5/19/8 (Item 2 from file: 636)
DIALOG(R)File 636:Gale Group Newsletter DB(TM)

02615570 Supplier Number: 45293692 (THIS IS THE FULLTEXT)
NEW CARD ISSUES
Card Systems, pN/A
Jan 30, 1995
Language: English Record Type: Fulltext
Document Type: Newsletter; Trade
Word Count: 860
TEXT:
CARD SYSTEMS-NEW CARD ISSUES (C) 1995 M2 COMMUNICATIONS LTD

AGRICULTURAL BANK The Agricultural Bank of China recently launched its Golden What Visa cards in response to a national credit card promotion drive. The bank plans to increase the number of Golden Wheat credit card holders to 7m by the end of 1997 from the present figure of 1.1m cards issued since launch in 1991.

BANCO DI NAPOLI Banco di Napoli in Italy has launched the Pluricard in association with Diners Club International, allowing customers to use the card as a cheque guarantee card, credit card, discount card, cash card and a purchase insurance card.

BANCO PORTUGUES Banco Portugues do Atlantico, a major Portuguese bank, has launched BPA Mastercard in conjunction with SIBS. The bank is one of the last Portuguese banks to issue its own credit card. Two cards will be issued - - a regular MasterCard and a Gold MasterCard. Some Signia cards may be issued for the top customers. By the end of 1995 BPA hopes to issue over 100,000 MasterCards.

CAJA DE AHORROS The Spanish savings bank Caja de Ahorros de Cataluna is to launch the first credit card on the Spanish market which returns money to its holders. The new card is called Visa Tota" and includes an electronic integrated circuit, a digitised photo and anti-fraud. No further details are presently known.

CITIBANK CORPORATE A new dual credit card called Duo International is being launched for corporate customers in Germany by Citibank. The card will consist of a Diners Club card and a Citibank Classic Visa card, and industrialists Hoechst AG will be the first company to use the new card. By March over 40,000 Hoechst employees will be signed up to carry the card. Other corporate customers are being targeted.

COMPUTER CITY SPS Transaction Services Inc has teamed up to issue Computer City and Incredible Universe consumer credit cards to a North American customer base, and plans are afoot to launch new cards for Radio Shack and McDuff.

EUROGOLF Eurocard has launched a new card for golf players in Germany. The Golf Fee Card, with a US$100 (equiv) annual fee, provides discounts on golfing activities including the opportunity to save up to 50% on green fees in 39 countries in Europe and around the world.

FIRST AMERICAN First American National Bank has introduced the First American Check Card in response to consumers' growing demands. A Visa Cheque card will be offered to all First American customers immediately.

GENERAL BANK OF GREECE The General Bank of Greece is launching the Fivestar credit card as part of a general product portfolio expansion. Fivestar, backed by Visa International, will offer cardholders a low rate of interest, insurance and discount plans.

KING'S ENTERTAINMENT CO Taiwan's first cobranded 'entertainment' MasterCard has been jointly issued by King's Entertainment Co Ltd and the EnTie Commercial Bank, with the card known as the King's Entertainment MasterCard. King's Entertainment is giving its existing 200,000 video store members a special deal: the first 10,000 who apply for the card will have the annual fee waived for the first year and a 50% discount on the fee for life. Cardholders also get a range of discounts at King's Entertainment complexes on the island.

KOMERCNI BANKA Komercni Bank in the Czech Republic has become a member of Visa International and announced outline plans to launch its own Visa card this year. No further details are presently known but the bank has its own ATM network.

PAT The Petroleum Authority of Thailand says that it plans to launch its own credit card. The PTT's credit card, to be introduced in cooperation with the Krung Thai bank, will be launched in direct competition to other petroleum -company backed products. There will be three types of cards: the PTT Krung Thai card, PTT Visa Krung Thai card and PTT Master Krung Thai card. The cards are partly aimed at improving sales at PTT service stations -- of which there are over 1,200 in the country.

PICK 'N PAY Customers at the South African Pick 'n Pay convenience store chain can now apply for a branded credit or debit card. Pick 'n Pay' sales had been affected by a recent switch to credit and the decision to launch a card had been as a result of this demand.

SBC COMMUNICATIONS SBC Communications Inc, formerly Southwestern Bell Corp, has teamed up with Mercantile Card Services Inc to offer a multipurpose credit card to its customers, but details are presently scarce until a planned

STANDARD CHARTERED Standard Chartered Bank in the UK has started marketing a range of Visa and MasterCard products in Taiwan as part of its aim to become the third largest issuer. Merchant contracts have been signed with over 30,000 stores. Incentives offered by the bank include loyalty spending points and a guarantee of refunds ranging from NT$200 to NT$3,000 if a cardholder can find cheaper prices for the same products within two weeks. There are now 24m credit cards issued by over 30 banks in Taiwan area with total spending in 1994 of at least NT$100bn.

PUBLISHER NAME: M2 Communications
INDUSTRY NAMES: BUSN (Any type of business); CMPT (Computers and Office Automation); INTL (Business, International)

T S7/FULL/ALL

7/19/1 (Item 1 from file: 15)
DIALOG(R)File 15:ABI/Inform(R)

02508142 258715581
Santa Claus comes to retail cobranding
Punch, Linda
Credit Card Management v15n10 PP: 24-30 Dec 2002 ISSN: 0896-9329
JRNL CODE: CCM
DOC TYPE: Periodical; Cover Story LANGUAGE: English RECORD TYPE: Fulltext
LENGTH: 5 Pages
SPECIAL FEATURE: Photograph Table
WORD COUNT: 2325

ABSTRACT: Retailers that balked at offering cobranded cards with MasterCard and Visa issuers or American Express Co. have watched as activity on their store cards dwindled along with card revenues and the marketing data they can collect on store card transactions. As a result, many are beginning to re-examine the concept of cobranding. During the past year, a number of major retailers have adopted cobranding programs, including BJ's Wholesale Clubs, Amazon.com and Disney Co., all of which partnered with Bank One Corp.; TJ Maxx, which partnered with Capital One Financial Corp.; and Circuit City, which operates its own credit card bank and launched a Visa cobranded card. Other recent retail cobranders include Target Corp. and Best Buy.
TEXT: More than a decade after the idea first appeared, why are major retailers finally rolling out cobranded card programs?

BY LINDA PUNCH

When cobranding hit the card industry in a big way in the early 1990s, retail card programs looked like prime candidates for conversion. At that time, many retailers found operating their store card programs burdensome. And consumers wanted to carry fewer cards with more utility and enhancements.

But while telecommunications companies, automobile makers, oil companies and others launched highly successful cobranded programs, major department stores and other traditional retailers clung stubbornly to their private-label card programs. The thought that their customers would use a general-purpose card carrying their brand at a competitor's store apalled them.

Retailers also thought bank cards could increase their expenses. "Retailers many times don't want the card to have as many bells and whistles as a MasterCard or Visa cobrand would have," says Steven M. Apesos, managing director of affinity partnerships for Burlington, Mass.-based Corporate Sports Incentives. Apesos is a former MasterCard International marketing executive and also worked at a firm that signed affinity partners for First USA Bank.

Many bank issuers also backed away from cobranding because retailers weren't giving them their best customers, he adds.

But all that is changing. Retailers that balked at offering cobranded cards with MasterCard and Visa issuers or American Express Co. have watched as activity on their store cards dwindled (chart, p. 30) along with card revenues and the marketing data they can collect on store card transactions. As a result, many are beginning to re-examine the concept of

cobranding.

During the past year, a number of major retailers have adopted cobranding programs, including BJ's Wholesale Clubs, Amazon.com and Disney Co., all of which partnered with Bank One Corp.; TJ Maxx, which partnered with Capital One Financial Corp.; and Circuit City, which operates its own credit card bank and launched a Visa cobranded card. Other recent retail cobranders include Target Corp. and Best Buy.

"It's been a watershed year for the retail market" in moving towards cobranding, says John C. Grund, partner at First Annapolis Consulting Inc., Linthicum, Md.

Some general-purpose issuers, too, are beginning to look to retailers as growth in the card industry slows, Grund says. "Retail partnerships look more and more attractive, simply because it creates an acquisition channel through a partner," he says.

Credit cards play an important role in the retail market. For brick-and-mortar retailers, credit cards account for more than 75% of total transaction volume, according to First Annapolis. For online merchants, cards are used as payment in nearly 100% of transactions.

But cards are not just a payment vehicle. Many retailers rely on their private-label card programs to build ties with their customers. And they use those programs to gather valuable information; for example, how often a cardholder shops and in which departments. Retailers use that data to develop special offers and promotions for customers, generating more sales.

When cobranding was introduced, it was viewed as a way to "to take certain (single-purpose) cards out of the wallet and multibrand," Apesos says. "Everyone thought that retail would be first to go. They had sort of a dinosaur product at the time."

By cobranding, retailers would gain access to MasterCard's and Visa's processing platforms, making it easier to develop rebate and rewards programs, Apesos says. Cobranding also would allow retailers to offer the broad range of enhancements that come with a Visa or MasterCard.

But despite the hoopla surrounding cobranding, many retailers simply chose to stick with the proprietary card programs that served them so well in the past. And even retailers that adopted cobranding did it in a way that gave them complete control over the programs. Retailers, such as Nordstroms and Sears, Roebuck and Co., side-- stepped partnerships with general-purpose card issuers and created their own credit card banks instead, Apesos says.

"The big issue is that a lot of privatelabel folks just don't want to give up their customers to a cobranding bank that might cannibalize the private label or might not service their best customers in the best way," Apesos says.

Retailers also feared they would lose customers to the competition if they offered a cobranded credit card. "If you've got a cobranded card, Macy's doesn't want you shopping at Bloomingdales," Apesos says. "There's a jealousy there."

The possibility that customers might be turned down for purchases at the cobranding retailer because they maxxed out the card at other stores is another major concern of retailers, says Stephen J. Bartell, founder of the Larchmont, N.Y.-based SJB Consultancy and a former senior marketing executive at MasterCard. "It's the nightmare scenario," he says. "They take

their cobranded card, go into the cobranded retail store, go to use the card and they're denied," Bartell says.

But the market for cobranded retail cards is evolving. Retailers that opened credit card banks created enough momentum that other retailers are beginning to explore cobranding options, Grund says.

One major reason retailers are turning to cobranding is "to just flat out give customers more choice in an era where bank cards have proliferated," Grund says.

At the same time, with most major retailers, "the percent of sales on private-label cards has been in a rather steady decline," Grund says. Cobranding allows retailers "to stem some of the decline of private-label penetration, offer customers more choices and respond to a clear competitive trend towards the use of general-purpose cards," he says.

Nonetheless, card issuers still need to present a convincing argument for cobranding. Chicago-based Bank One Corp., owner of First USA, offers cobranding to potential partners as part of a "payment solution" that includes gift cards and stored-value cards, rather than as a single product, says Joe Purzycki, senior vice president of marketing. "We try to steer away from just a plastic solution, just a credit card solution." About 25 of Bank One's 1,800 cobranded or affinity programs are with retailers.

A cobranded card program also can offer retailers more extensive data than a private-label program. That's because cobranded cards can capture information on sales at competitors' stores as well as their own. "Most people who take the private-label card will use it for very select purchases," Purzycki says. "You can find out a lot more about a customer when you can look at their spending patterns across the whole spectrum of purchases."

Indeed, what retailers fear-that their customers will use the cards at competitors-is actually a plus, Bartell says. Cardholders "can't use a proprietary card at another department store so (retailers) don't know what that person is buying elsewhere," he says.

Cobranded programs also can be designed to address retailers' concerns. For example, one way to avoid the "nightmare scenario" of rejected transactions is to offer separate credit lines for private-label and bank card transactions tied to the card. "It's a great way to ensure that your cobranded customer doesn't get turned down at your cobranded location," Bartell says.

One retailer taking the dual credit line approach is Reading, Pa.-based Boscov's Department Stores. Boscov's in September announced it is rolling out a cobranded card that carries both Visa and private-label lines of credit on the same piece of plastic. "We're just trying to provide additional services to customers who feel that it would be worthwhile to carry one piece of plastic and to have two lines of credit," says Robert W. Fisher, Boscov's vice president of credit and call center operations.

With the cobranded card, cardholders receive separate billing statements for the Visa and private-- label accounts, Fisher says. "If you use it anywhere outside of Boscov's, then you access the Visa line of credit. It's actually two cards in one."
Under the program, cardholders can earn points for purchases made on either line of credit for use in the Boscov's rewards program, Fisher says.

Assigning separate annual percentage rates to the private-label and bank card accounts also can allow retailers to be competitive with pricing on the bank card side while maintaining the higher APRs that are so profitable on the privatelabel side, Apesos says.

But as retailers venture into cobranded territory, they will find that experience in operating profitable private-label programs doesn't necessarily mean immediate success with cobranded cards, observers say.

That's the case with Sears, which ran into some big pitfalls as it converted segments of its private-label card portfolio to the Sears Gold MasterCard. Sears is using the MasterCard as a complement to its shrinking private-label card portfolio, targeting lower-risk transactors and light revolvers, Paul Liska, Sears executive vice president and president of credit and financial products, said in conference call with analysts in October.

While the Sears MasterCard portfolio is growing at a rapid rate-it accounted for 37% of receivables during the third quarter-"we have made a few mistakes along the way," Liska said, adding that "portions of the Sears Gold MasterCard balances are not performing exactly as we thought."

Although Sears offered its gold card to higher credit-quality customers, it found that cardholders using convenience checks and the balance-transfer option had higher chargeoff rates.

Sears' fairly aggressive use of balance transfers to activate accounts and build balances "was susceptible to some shortfalls related to credit quality," Grund says.

Chargeoff rates in the MasterCard gold portfolio are expected to increase as the accounts season, but Sears "continues to believe that growing the Sears Gold MasterCard is the right thing," Liska said. "Sears needed to find a way to make its credit product more relevant to its customer base. Sears Gold MasterCard has done just that."

Strong Arguments

Like Sears, Minneapolis-based Target Corp.'s Visa smart card also is experiencing rapid growth, much of it at the expense of the discount- and department-store retailer's three proprietary card programs. Receivables on the Target Guest store card fell 31% to $865 million in the second quarter from $1.26 billion in the year-earlier quarter as the retailer continued to convert store card accounts to the Visa.

The Visa card had $2.53 billion in receivables in the second quarter, accounting for 55% of Target's $4.64 billion in managed receivables.

Still, there remain strong arguments for private-label card programs. Customer loyalty, for one, says Richard C. Klesse, national director of Household International Inc.'s Household Retail Services. A private-- label card bearing only the retailer's name "ties the customer directly" to the merchant, Klesse says.

"The utility of the card being dedicated to the retailer brings additional loyalty that they don't get if a card can be used anywhere," Klesse says. "Customers identify a card that can be used anywhere more closely with Visa or MasterCard than they would with the other name that's going to be on the card."

A store card program gives a retailer more flexibility in creating customer

benefits and special financing for cardholders, Klesse says.
Klesse also questions whether cobranded retail cards can be competitive. "Other bank cards have greater value whether it's airline miles or automobile points," he says. "But true retailers have had difficulty trying to find the right value propositions to support (a cobranded card) financially, particularly when they have a private-label card that can be stronger financially."

Many customers, too, still prefer private-label cards. "What we try to explain to all our retail partners is that you're going to have some people who just want a private-label card, some who just want a cobranded card and some that want both," Purzycki says.

For now, despite growing numbers of cobranded retail cards, the promise of a successful cobranding program between a retailer and a general-purpose card issuer has yet to be realized.

Percentage of Sales on Private-Label Cards, by Retailer

Retail vs. Cobranded

* Almost one in seven retail cardholders have a Visa cobranded card.
* Less than one in ten retail cardholders has a MasterCard cobranded card.

* About one-fifth of retail card users have a cobranded retail card.

* Frequent retail card users are more likely to have a Visa cobranded retail card.

* More than half of cobranded retail card holders use the card only at the cobranded retailers store.

* More than one-third of retail cardholders use the card at other merchants as well.

Source: Synergistics Corp.

Sears' Startling News

Sears, Roebuck and Co. Chief Executive Alan Lacy shocked the card and retail industries in early October when he announced the firing of Kevin Keleghan, Sears' executive vice president and president of credit and finance products.
Word of the firing came as Sears announced it had revised third-quarter earnings to reflect a 26% drop. That decrease was due primarily to a $189 million increase in the allowance for uncollectible debt in Sears' $29 billion card program.

The third-quarter domestic allowance for uncollectible accounts increased 50% to $1.63 billion, compared with $1.09 billion in 2001's third quarter.

In a conference call with analysts, Lacy said he had "a series of escalating conversations" with Keleghan in which he was assured that "things were essentially on track."

But reports continued to surface that Sears' private-label card and Gold MasterCard portfolios "might be heading for a more troublesome spell

than we had previously anticipated," he said. "It became clear that Kevin was not being forthcoming about the issues that his business was facing."

Keleghan's resignation allegedly was not related to the performance of the card portfolios. "I terminated him because of my lack of confidence in him relative to his personal credibility," Lacy said.
Despite the revised numbers, Sears expects to have a "solid profit growth" of 15% for this year, Lacy said. "Our credit business is still a very profitable business and a very important product to us," he said.

Paul Liska, who had been chief financial officer since he joined the company in June 2001, has replaced Keleghan. Lacy also fired K.R. Vishwanath, vice president of risk management.

For years, cards have been Sears' most reliable source of profits while Sears struggled with different retailing formats. In 2001, the card and financial services unit brought in about 60% of Sears' operating profits.

THIS IS THE FULL-TEXT.
GEOGRAPHIC NAMES: United States; US

DESCRIPTORS: Co-branding; Credit cards; Profits; Advantages; Retailing industry
CLASSIFICATION CODES: 9190 (CN=United States); 8120 (CN=Retail banking); 8390 (CN=Retailing industry)
PRINT MEDIA ID: 12410

7/19/2 (Item 1 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

3595963 Supplier Number: 03595963 (THIS IS THE FULLTEXT)
Santa Claus comes to retail cobranding; more than a decade after the idea first appeared, why are major retailers finally rolling out cobranded card programs? (Cover Story).

Credit Card Management, v 15, n 10, p 24
December 2002
DOCUMENT TYPE: Journal ISSN: 0896-9329 (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 2394

TEXT:
When cobranding hit the card industry in a big way in the early 1990s, retail card programs looked like prime candidates for conversion. At that time, many retailers found operating their store card programs burdensome. And consumers wanted to carry fewer cards with more utility and enhancements.

But while telecommunications companies, automobile makers, oil companies and others launched highly successful cobranded programs, major department stores and other traditional retailers clung stubbornly to their private-label card programs. The thought that their customers would use a general-purpose card carrying their brand at a competitor's store apalled them.

Retailers also thought bank cards could increase their expenses. "Retailers many times don't want the card to have as many bells and whistles as a MasterCard or Visa cobrand would have," says Steven M. Apesos, managing director of affinity partnerships for Burlington, Mass.-based Corporate Sports Incentives. Apesos is a former MasterCard International marketing executive and also worked at a firm that signed affinity partners for First

USA Bank.

Many bank issuers also backed away from cobranding because retailers weren't giving them their best customers, he adds.

But all that is changing. Retailers that balked at offering cobranded cards with MasterCard and Visa issuers or American Express Co. have watched as activity on their store cards dwindled (chart, p. 30) along with card revenues and the marketing data they can collect on store card transactions. As a result, many are beginning to re-examine the concept of cobranding.
During the past year, a number of major retailers have adopted cobranding programs, including BJ's Wholesale Clubs, Amazon.com and Disney Co., all of which partnered with Bank One Corp.; TJ Maxx, which partnered with Capital One Financial Corp.; and Circuit City, which operates its own credit card bank and launched a Visa cobranded card. Other recent retail cobranders include Target Corp. and Best Buy.

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But despite the hoopla surrounding cobranding, many retailers simply chose to stick with the proprietary card programs that served them so well in the past. And even retailers that adopted cobranding did it in a way that gave them complete control over the programs. Retailers, such as Nordstroms and Sears, Roebuck and Co., side-stepped partnerships with general-purpose card issuers and created their own credit card banks instead, Apesos says.
"The big issue is that a lot of private-label folks just don't want to give up their customers to a cobranding bank that might cannibalize the private label or might not service their best customers in the best way," Apesos says.

Retailers also feared they would lose customers to the competition if they offered a cobranded credit card. "If you've got a cobranded card, Macy's

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The possibility that customers might be turned down for purchases at the cobranding retailer because they maxxed out the card at other stores is another major concern of retailers, says Stephen J. Bartell, founder of the Larchmont, N.Y.-based SJB Consultancy and a former senior marketing executive at MasterCard. "It's the nightmare scenario," he says. "They take their cobranded card, go into the cobranded retail store, go to use the card and they're denied," Bartell says.

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A store card program gives a retailer more flexibility in creating customer benefits and special financing for cardholders, Klesse says.

Klesse also questions whether cobranded retail cards can be competitive. "Other bank cards have greater value whether it's airline miles or automobile points," he says. "But true retailers have had difficulty trying to find the right value propositions to support (a cobranded card) financially, particularly when they have a private-label card that can be stronger financially."

Many customers, too, still prefer private-label cards. "What we try to explain to all our retail partners is that you're going to have some people who just want a private-label card, some who just want a cobranded card and some that want both," Purzycki says.

For now, despite growing numbers of cobranded retail cards, the promise of a successful cobranding program between a retailer and a general-purpose card issuer has yet to be realized.

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Source: Synergistics Corp.

Percentage of Sales on Private-Label Cards, by Retailer

	1993	1994	1995	1996	1997
The May Department Stores Co.	62.4	57.3	54.5	50.0	44.3
J.C. Penney Co. (1)	49.6	49.6	48.4	46.9	43.4
Seam, Roebuck and Co. (2)	58.0	58.3	56.6	56.6	55.1
The Home Depot (3)					
Kohl's Corp. (4)	19.5	NA	NA	NA	NA
Pier One Imports Inc.	8.4	9.6	24.1	25.5	25.9

	1998	1999	2000	2001
The May Department Stores Co.	42.3	40.7	40.3	39.1
J.C. Penney Co. (1)	39.4	37.9	37.5	37.5
Seam, Roebuck and Co. (2)	52.3	48.5	47.4	47.0

The Home Depot (3)		17.0	19.0	21.0
Kohl's Corp. (4)	NA	NA	30.1	31.8
Pier One Imports Inc.	26.0	26.3	28.9	28.9

(1) J.C. Penney portfolio sold to GE Capital in 1999, Figures include department stores and catalog only. 2001 is estimated.
(2) Sears' percentage of sales based on domestic PLCC and cobrand portfolios measured against merchandise sales and services revenue.
(3) Home Depot figures not available prior to 1999. Figures include consumer and commercial programs.
(4) Kohl's figure for 1993 is estimated; 1992 was reported at 19.0%.
Source: First Annapolis Consulting Inc., Company reports.

RELATED ARTICLE: Sears' startling news.

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SPECIAL FEATURES: Table
INDUSTRY NAMES: Financial services; Mail order; Payment cards; Retailing

non-food
PRODUCT NAMES: Retail stores, other (590000); Nonstore retailers (596000); Credit and debit cards (614200)
CONCEPT TERMS: All company; All market information; Joint venture; Marketing campaign
MARKETING TERMS: All product marketing; Cobranding
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

7/19/3 (Item 2 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1658923 Supplier Number: 01658923 (THIS IS THE FULLTEXT)
COWBRANDED CARD
(MBNA Corp's latest cobranded card offering is Gateway 2000 Moola MasterCard issued for Gateway 2000 Inc, personal computer maker)
Card Fax, v 96, n 205, p 1
November 14, 1996
DOCUMENT TYPE: Newsletter; News Brief (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 130

TEXT:
COWBRANDED CARD: MBNA Corp.'s latest cobranded card offering is the Gateway 2000 Moola MasterCard issued for Sioux City, SD-based Gateway 2000 Inc., the personal computer maker known for its cow-themed marketing campaigns. Dial National Bank last month discontinued a dual-credit-line MasterCard that allowed cardholders to choose from either a private-label line of credit for Gateway purchases or a general purpose credit line. The MBNA-issued cobranded card carries no annual fee and offers a 1% rebate, paid in Moola dollars, on all purchases. Cardholders need a minimum of 25 Moola dollars to redeem points toward Gateway merchandise, and can carry over points up to five years. The card has an introductory interest rate of 5.9% for the first five months; it then shifts to prime (8.25% plus 9.9 percentage points (18.15%).

COMPANY NAMES: GATEWAY 2000 INC; MBNA CORP
INDUSTRY NAMES: Computer; Financial services; Payment cards; Personal computers
PRODUCT NAMES: Personal computers (357160); Credit and debit cards (614200)
CONCEPT TERMS: All company; Corporate strategy
MARKETING TERMS: All product marketing; Cobranding
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

7/19/4 (Item 3 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1368238 Supplier Number: 01368238 (THIS IS THE FULLTEXT)
Affinity/Cobranded Card Issuers
(Affinity/cobranding success story in card marketing continues; Top 50 Affinity Programs had 66.2 mil cobranded/affinity cards at beginning of 1995)
Card Industry Directory, p 207+
1996

DOCUMENT TYPE: Journal ISSN: 1051-6778 (United States)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 828

ABSTRACT:
The affinity/cobranding success story in card marketing continues, with MasterCard holding the edge as the brand-of-choice in this corner of the world. MasterCard raised the number of cobranded cards with its logo to 51.8 mil in 1994. Meanwhile, Visa saw a 25% jump in its Visa cobrand/affinity cards to 40 mil by the end of 1995. Now, Visa and Mastercard go head to head in attempts to win new partners in the cobranding game. The top 50 Affinity Programs had 66.2 mil cobranded/affinity cards in circulation at the beginning of 1995, 72% of the total market and up from last year's Top 50 affinity programs, which totaled 46.2 mil.

TEXT:
Hype can blunt the importance and impact of significant events, and that is the case with credit card cobranding. If the sheen on this card marketing initiative seemed to fade in 1975, it is because expectations had been elevated so high following the runaway success of the GM card. By any objective measure, the affinity/cobranding success story continues. MasterCard continues to hold the edge as the brand-of-choice in this corner of the card world. In 1994, MasterCard boosted the number of cobranded cards with its logo to 51.8 million, almost 40% of all MasterCard plastic. At the same time, Visa jumped into the game with a vengeance. By year's end, the number of Visa cobrand/affinity cards had jumped 25% to 40 million. The card associations now go toe to toe in wooing new cobranding partners, with notable successes for both sides. Visa literally scored a blockbuster deal early in 1995 when the Blockbuster Visa card from NationsBank debuted. MasterCard continued its dominance in the oil patch when it unveiled the Gulf MasterCard, issued by Fleet Financial, at about the same time. Both brands are making inroads with retailers, Visa with Federated Department Stores and Nordstrom, MasterCard with BJ's Wholesale Club. But perhaps the biggest plumb of 1995 went to American Express, which will issue a cobranded Optima card with Delta, the last of the unaligned airlines. The Delta deal was hotly pursued by more than a dozen Visa and MasterCard issuers.

The distinction between affinity and cobranded cards is one the card associations don't care to make. The difference is an arbitrary one, at best. In either case, the issuer and its partner typically share billing on the face of the cards. The involvement of the partner is probably the biggest difference, with traditional affinity partners taking a passive role, lending the use of their names and mailing lists in return for a share of interchange revenues and perhaps $1 for each new cardholder who enrolls. Contrast that role with the high profile of General Motors in promoting and managing the GM card, which sublimates the issuer's name. That approach has proven highly successful, with more than 12 million cards in circulation in mid-1995, including 450,000 cardholders who have redeemed their rebates when purchasing a new GM vehicle. The success of GM has not gone unnoticed by traditional affinity groups, some of which are integrating credit cards into an umbrella of financial services for their members. The most notable examples of this strategy are being developed by the American Automobile Association, which intends to establish a card-issuing bank, and the American Dental Association, which is expected to server its long-term affinity relationship with MBNA America at the end of 1995 in favor of a "lifestyle" package of member services including student-loan consolidations, new-business loans, and credit cards.

Coincidentally, cobranding's other major success story also revolves around

the automobile. In 12 months, the Shell MasterCard from Chemical Bank attracted more than 4 million cardholders and $2.2 billion in receivables. Consumers redeemed rebates on the cards for more than $50 million worth of Shell gasoline and demonstrated a willingness to carry a balance on a dual gas/bank card: despite the unseasoned nature of those accounts, balances were averaging more than $1,200 in early 1995.

The Shell MasterCard breaks out gas and general retail charges on monthly invoices, creating a quasi-dual credit line. A similar approach is being used to penetrate other retail categories by Dial Bank, which has created cobranded cards with two trade lines, one for use exclusively at the participating retailer and the other a general-purpose line of credit. Different interest rates and fees apply to the lines.

Not every cobranded deal has measured up to expectations. Dean Witter, Discover's long-awaited Prime Option card finally debuted in 1994, but it appeared to be an idea whose time had passed. Originally conceived in 1991, the card's launch was blocked by legal wrangling with Visa before Discover finally was able to strike a deal with NationsBank for issuance under the MasterCard logo. An aggressive TV campaign and a 6 million-piece pre-approved mailing in the spring weren't enough to prevent Prime Option from becoming an afterthought by year's end. Neither Discover or NationsBank's entire portfolio grew by less than $1 billion for the year speaks volumes about the market's indifference to Prime Option. Another cobranding belly-flop was 1995's PGA Partners card, issued by SunTrust and marketed by enhancement experts Ideon Group Inc.

Cobranded and affinity cards aren't the only value-added offers scoring a hit with consumers. The CornerStone MasterCard, which rebates a portion of cardholder interest payments, attracted 600,000 customers by early 1995, prompting issuer Mellon Bank to offer an affinity version of the card with U.S. Med, a specialist in health-card credit cards.

The 50 issuers profiled in the following pages had 66.2 million cobranded/affinity cards in circulation at the beginning of 1995, 72% of the total market and up significantly from last year's Top 50 tally of 46.2 million.

COMPANY NAMES: MASTERCARD INTERNATIONAL INC; VISA
INDUSTRY NAMES: Financial services; Payment cards
PRODUCT NAMES: Credit and debit cards (614200)
CONCEPT TERMS: All market information; Market size; Trends
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

7/19/5 (Item 4 from file: 9)
DIALOG(R)File 9:Business & Industry(R)

1290699 Supplier Number: 01290699 (THIS IS THE FULLTEXT)
Dean Witter introduces low-rate card
(Dean Witter Discovery & Co introduces Bravo, low-rate card with two lines of credit)
Cards International, n 140, p 5
September 22, 1995
DOCUMENT TYPE: Newsletter ISSN: 0956-5558 (Ireland)
LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 273

TEXT:
DEAN WITTER, Discover & Company has introduced a low-rate card with two lines of credit, one of which is accessed by cheques.

The Bravo card features a teaser rate of zero percent interest until February 1996, no annual fee, and two credit lines with different interest rates. Bravo targets the revolving customers that have shunned Private Issue and Discover.

Bravo will try to break into the market with a dual credit line. The active line charges zero percent on purchases and 4.9 percent on balance transfers until February, after which the interest rate rises to prime rate plus 8.9 percent, or 17.65 percent.

After March 1996, a second line of credit called the Reserve Line will be available at prime rate plus 5.9 percent, or 14.65 percent. The second line can be used for purchases of $250 or more and is accessed by cheques, which are provided free.

Dean Witter also offers an over-limit protection fee called"Approval:Yes!" where cardholders can exceed their active line credit limits by up to 15 percent.

Like American Express with its Optima True Grace card, Dean Witter is attacking the marketplace by innovating on the fringes of card offers. Bravo, like Private Issue, offers no annual fee, a choice of monthly billing dates and an option to skip one payment a year.

Bravo, along with Private Issue and the successful Discover card, are now regarded as equal brands under the Novus Network banner. The cards are accepted at 2.1 million merchants in the US only.

Roll-out initially is restricted to 29 metropolitan areas, including Chicago, Philadelphia and Boston, where marketing support will include direct mail and television advertising.

COMPANY NAMES: DEAN WITTER DISCOVER & CO (SEARS ROEBUCK & CO)
INDUSTRY NAMES: Financial services; Payment cards
PRODUCT NAMES: Credit and debit cards (614200)
CONCEPT TERMS: All product and service information; Product introduction
GEOGRAPHIC NAMES: North America (NOAX); United States (USA)

7/19/6 (Item 1 from file: 636)
DIALOG(R)File 636:Gale Group Newsletter DB(TM)

03858039 Supplier Number: 48396473 (THIS IS THE FULLTEXT)
Dean Witter Is Dumping Its Bravo Credit Card
Credit Card News, pN/A
April 1, 1998
Language: English Record Type: Fulltext
Document Type: Newsletter; Trade
Word Count: 1179
TEXT:
Morgan Stanley Dean Witter Discover & Co., which is reporting a sharp drop in first-quarter credit card net income, is folding its Bravo card into its remaining Private Issue and Discover card programs. The Bravo label will

disappear after it had been marketed in 23 states over a two-year period, the company says, adding that it will now focus on the Discover card.

The Bravo card was first issued in the fall of 1995, and offered a dual line of credit, one for everyday purchases at an interest rate of prime plus 8.9%, and another for major purchases of $250 or more at prime plus 5.9%.

The dual credit line was meant to spur big-ticket purchases and to offer an extra cushion to cash-strapped consumers, Dean Witter said at the time.

Denying speculation that it was considering the sale of the Discover program, Morgan Stanley insists that it's "totally committed to the Discover Card and looking to take it global," an official says.

The company has also entered into an agreement to sell its Prime Option MasterCard program, which analysts estimate at 200,000 cards with about $200 million or more in receivables.

Morgan Stanley declines to name the buyer of Prime Option or to give details on the size of the program, though analysts say a likely buyer is NationsBank, which issues the card. NationsBank declines to comment.

Novus Services, a unit of Morgan Stanley, manages all of its parent's card programs. Morgan Stanley says first-quarter net income in its Credit and Transactions Services group, the bulk of which is credit cards, dropped 21% to $99 million from a year ago. The Prime Option card was launched in 1993, after Dean Witter, then a unit of Sears, tried unsuccessfully to issue it as a bank card through a subsidiary.

Chase Manhattan Moves on up in the Cobranded Airline Card Market

The Chase Manhattan Bank and Continental Airlines are both operating on the theory that bigger is better in partnering in a cobranded frequent-flier card program.

Readying for its launch of Continental Airlines Visa and MasterCard cards, Chase, the nation's fifth-biggest bank card issuer, in December sold its British Airways portfolio to First USA Bank, says Paul Kaiser, Chase's vice president in charge of cobranding. "The British Airways program was very successful for its target audience: international travelers. The Continental program has the potential to be significantly larger," says Kaiser, who adds the program's has international possibilities beyond its obvious domestic customer base.

In letting its 12-year pact with Buffalo, N.Y.-based Marine Midland lapse March 31, Continental, the fifth-largest airline in the U.S., went with a larger presence in the card arena.

"We are looking at expanding our product, obviously there is some growth potential associated with the relationship," says Scott Dunphy, Continental's director of partner and membership marketing.

Partnering with Continental comes along with Chase's strategy of linking with major vendors. "We look at the big ones," says Kaiser. "There are a lot of opportunities out there that frankly should not end up as cobrands."

While First USA is not commenting on its acquisition of the British Airways U.S-based portfolio of about 50,000 accounts, Peter Davidson, Marine Midland's former top card executive, says Chase more than likely had to sell the relatively small portfolio to get the larger airline. "It was probably part of the conditions Continental imposed on them," he says.

For Marine Midland, the 30th-biggest bank card issuer, the loss of its longtime airline partner did not come easily. The bank and Eastern Airlines, which merged with Continental in the late 1980s, launched the nation's first cobranded airline card. Six months ago, when speculation first surfaced that Continental was shopping for a larger issuer, the bank declared it was looking forward to continuing its long relationship with the airline and that Marine Midland had no intention of selling its portfolio.

That stance is now changed. "We are in active discussions with Chase regarding the transfer of the Continental accounts," says a Marine Midland

spokesperson.

The portfolio sale could be a lucrative one for Marine Midland, says Davidson, now an executive vice president with Atlanta-based Speer & Associates. Since the bank knows which of the portfolio's roughly 300,000 accounts are profitable, it could take the defensive and try to keep those customers with a replacement frequent-flier program, whereas Chase really needs ownership of the accounts to build a quality portfolio, rather than starting from scratch, says Davidson.

Chase late last month began a direct-mail campaign offering Continental Airlines Visa and MasterCard cards, which offer one mile for every dollar charged. The standard card has a $45 annual fee and an interest rate of prime plus 9.4 percentage points, or 17.9%. The platinum version of the card has a $65 annual fee and an interest rate of prime plus 8.4%, or 16.9%. In addition, Chase is doing an introductory offer for balance transfers and purchases of a fixed rate of 7.9% for six months.

"This is a major card for us; we expect in 1999 we will have a million cards in people's hands," says Kaiser, who adds the bank's mail drop will be backed in the coming weeks by newspaper advertisements, radio spots and in-flight videos.

Big Suppliers Are Unhappy With Discount Rates

The bigger the supplier, the less likely they are to be positive about purchasing cards a new survey finds.

When queried about the fairness of the discount rate, "the big distributors feel it's significantly less fair," says Richard Palmer, a professor of accounting at the University of Tennessee. The sentiment makes sense, given the interchange rate involves a percentage of the transaction volume. "Obviously for the 10 big wholesalers, there is a huge difference in dollars they transact on the card," Palmer says.

While the interchange rate is discounted for larger transaction volumes, Palmer says the largest suppliers are still less than satisfied. "They feel for their volume it should be even better than it is."

Palmer's research involves questioning the top 48 wholesale distributors, 10 or 21% of which have responded so far. Of those, all 10 accept purchasing cards. In addition, Palmer is surveying 371 suppliers randomly selected from the Thomas Register. Of the 66 who have responded thus far, 21% accept purchasing cards.

In comparing the top 10 to the smaller suppliers, "there is a world of difference in their attitudes," Palmer says. For instance, when asked if the benefits of accepting purchasing cards exceed the costs, only 30% of the top 10 replied positively, compared to 93% of the larger group of smaller suppliers.

"On the acceptance side, there is another ominous finding on the big companies," the professor says. Of the top 10 respondents, 40% said they in corporate purchasing card costs into an overall pricing structure agreement with a particular customer. "It seems fair to pass that cost back to the customer in a low-margin industry," Palmer says. "I don't know how that's going to play with MasterCard, Visa and American Express."

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INDUSTRY NAMES: BANK (Banking, Finance and Accounting); BUSN (Any type of business)

7/19/7 (Item 2 from file: 636)

DIALOG(R)File 636:Gale Group Newsletter DB(TM)

03351417 Supplier Number: 46890780 (THIS IS THE FULLTEXT)
COWBRANDED CARD
CardFAX, v96, n205, pN/A
Nov 14, 1996
Language: English Record Type: Fulltext
Document Type: Newsletter; Trade
Word Count: 138
TEXT:
MBNA Corp.'s latest cobranded card offering is the Gateway 2000 Moola MasterCard issued for Sioux City, SD-based Gateway 2000 Inc. the personal computer maker known for it's cow-themed marketing campaigns. Dial National Bank last month discontinued a dual-credit-line MasterCard that allowed cardholders to choose from either a private-label line of credit for Gateway purchases or a general purpose credit line. The MBNA-issued cobranded card carries no annual fee and offers a 1% rebate, paid in Moola dollars, on all purchases. Cardholders need a minimum of 25 Moola dollars to redeem points toward Gateway merchandise, and can carry over points up to five years. The card has an introductory interest rate of 5,9% for the first five months; it then shifts to prime (8.25%) plus 9.9 percentage points (18.15%).

PUBLISHER NAME: Faulkner & Gray, Inc.
INDUSTRY NAMES: BUSN (Any type of business); TRAN (Transportation, Distribution and Purchasing)

7/19/8 (Item 1 from file: 16)
DIALOG(R)File 16:Gale Group PROMT(R)

10224962 Supplier Number: 95262676 (THIS IS THE FULLTEXT)
Santa Claus comes to retail cobranding; more than a decade after the idea first appeared, why are major retailers finally rolling out cobranded card programs? (Cover Story).
Punch, Linda
Credit Card Management, v15, n10, p24(5)
Dec, 2002
ISSN: ISSN: 0896-9329
Language: English Record Type: Fulltext
Document Type: Magazine/Journal; Trade
Word Count: 2526
TEXT:
When cobranding hit the card industry in a big way in the early 1990s, retail card programs looked like prime candidates for conversion. At that time, many retailers found operating their store card programs burdensome. And consumers wanted to carry fewer cards with more utility and enhancements.

But while telecommunications companies, automobile makers, oil companies and others launched highly successful cobranded programs, major department stores and other traditional retailers clung stubbornly to their private-label card programs. The thought that their customers would use a general-purpose card carrying their brand at a competitor's store apalled them.

Retailers also thought bank cards could increase their expenses. "Retailers many times don't want the card to have as many bells and

whistles as a MasterCard or Visa cobrand would have," says Steven M. Apesos, managing director of affinity partnerships for Burlington, Mass.-based Corporate Sports Incentives. Apesos is a former MasterCard International marketing executive and also worked at a firm that signed affinity partners for First USA Bank.

Many bank issuers also backed away from cobranding because retailers weren't giving them their best customers, he adds.

But all that is changing. Retailers that balked at offering cobranded cards with MasterCard and Visa issuers or American Express Co. have watched as activity on their store cards dwindled (chart, p. 30) along with card revenues and the marketing data they can collect on store card transactions. As a result, many are beginning to re-examine the concept of cobranding.

During the past year, a number of major retailers have adopted cobranding programs, including BJ's Wholesale Clubs, Amazon.com and Disney Co., all of which partnered with Bank One Corp.; TJ Maxx, which partnered with Capital One Financial Corp.; and Circuit City, which operates its own credit card bank and launched a Visa cobranded card. Other recent retail cobranders include Target Corp. and Best Buy.

"It's been a watershed year for the retail market" in moving towards cobranding, says John C. Grund, partner at First Annapolis Consulting Inc., Linthicum, Md.

Some general-purpose issuers, too, are beginning to look to retailers as growth in the card industry slows, Grund says. "Retail partnerships look more and more attractive, simply because it creates an acquisition channel through a partner," he says.

Credit cards play an important role in the retail market. For brick-and-mortar retailers, credit cards account for more than 75% of total transaction volume, according to First Annapolis. For online merchants, cards are used as payment in nearly 100% of transactions.

But cards are not just a payment vehicle. Many retailers rely on their private-label card programs to build ties with their customers. And they use those programs to gather valuable information; for example, how often a cardholder shops and in which departments. Retailers use that data to develop special offers and promotions for customers, generating more sales.

When cobranding was introduced, it was viewed as a way to "to take certain (single-purpose) cards out of the wallet and multibrand," Apesos says. "Everyone thought that retail would be first to go. They had sort of a dinosaur product at the time."

By cobranding, retailers would gain access to MasterCard's and Visa's processing platforms, making it easier to develop rebate and rewards programs, Apesos says'. Cobranding also would allow retailers to offer the broad range of enhancements that come with a Visa or MasterCard.

But despite the hoopla surrounding cobranding, many retailers simply chose to stick with the proprietary card programs that served them so well in the past. And even retailers that adopted cobranding did it in a way that gave them complete control over the programs. Retailers, such as Nordstroms and Sears, Roebuck and Co., side-stepped partnerships with general-purpose card issuers and created their own credit card banks instead, Apesos says.

"The big issue is that a lot of private-label folks just don't want to give up their customers to a cobranding bank that might cannibalize the private label or might not service their best customers in the best way," Apesos says.

Retailers also feared they would lose customers to the competition if they offered a cobranded credit card. "If you've got a cobranded card, Macy's doesn't want you shopping at Bloomingdales," Apesos says. "There's a jealousy there."

The possibility that customers might be turned down for purchases at the cobranding retailer because they maxxed out the card at other stores is

another major concern of retailers, says Stephen J. Bartell, founder of the Larchmont, N.Y.-based SJB Consultancy and a former senior marketing executive at MasterCard. "It's the nightmare scenario," he says. "They take their cobranded card, go into the cobranded retail store, go to use the card and they're denied," Bartell says.

But the market for cobranded retail cards is evolving. Retailers that opened credit card banks created enough momentum that other retailers are beginning to explore cobranding options, Grund says.

One major reason retailers are turning to cobranding is "to just flat out give customers more choice in an era where bank cards have proliferated," Grund says.

At the same time, with most major retailers, "the percent of sales on private-label cards has been in a rather steady decline," Grund says. Cobranding allows retailers "to stem some of the decline of private-label penetration, offer customers more choices and respond to a clear competitive trend towards the use of general-purpose cards," he says.

Nonetheless, card issuers still need to present a convincing argument for cobranding. Chicago-based Bank One Corp., owner of First USA, offers cobranding to potential partners as part of a "payment solution" that includes gift cards and stored-value cards, rather than as a single product, says Joe Purzycki, senior vice president of marketing. "We try to steer away from just a plastic solution, just a credit card solution." About 25 of Bank One's 1,800 cobranded or affinity programs are with retailers.

A cobranded card program also can offer retailers more extensive data than a private-label program. That's because cobranded cards can capture information on sales at competitors' stores as well as their own. "Most people who take the private-label card will use it for very select purchases," Purzycki says. "You can find out a lot more about a customer when you can look at their spending patterns across the whole spectrum of purchases."

Indeed, what retailers fear--that their customers will use the cards at competitors--is actually a plus, Bartell says. Cardholders "can't use a proprietary card at another department store so (retailers) don't know what that person is buying elsewhere," he says.

Cobranded programs also can be designed to address retailers' concerns. For example, one way to avoid the "nightmare scenario" of rejected transactions is to offer separate credit lines for private-label and bank card transactions tied to the card. "It's a great way to ensure that your cobranded customer doesn't get turned down at your cobranded location," Bartell says.

One retailer taking the dual credit line approach is Reading, Pa.-based Boscov's Department Stores. Boscov's in September announced it is rolling out a cobranded card that carries both Visa and private-label lines of credit on the same piece of plastic. "We're just trying to provide additional services to customers who feel that it would be worthwhile to carry one piece of plastic and to have two lines of credit," says Robert W. Fisher, Boscov's vice president of credit and call center operations.

With the cobranded card, cardholders receive separate billing statements for the Visa and private-label accounts, Fisher says. "If you use it anywhere outside of Boscov's, then you access the Visa line of credit. It's actually two cards in one."

Under the program, cardholders can earn points for purchases made on either line of credit for use in the Boscov's rewards program, Fisher says.

Assigning separate annual percentage rates to the private-label and bank card accounts also can allow retailers to be competitive with pricing on the bank card side while maintaining the higher APRs that are so profitable on the private-label side, Apesos says.

But as retailers venture into cobranded territory, they will find that experience in operating profitable private-label programs doesn't necessarily mean immediate success with cobranded cards, observers say.

That's the case with Sears, which ran into some big pitfalls as it converted segments of its private-label card portfolio to the Sears Gold MasterCard. Sears is using the MasterCard as a complement to its shrinking private-label card portfolio, targeting lower-risk transactors and light revolvers, Paul Liska, Sears executive vice president and president of credit and financial products, said in conference call with analysts in October.

While the Sears MasterCard portfolio is growing at a rapid rate--it accounted for 37% of receivables during the third quarter--"we have made a few mistakes along the way," Liska said, adding that "portions of the Sears Gold MasterCard balances are not performing exactly as we thought."

Although Sears offered its gold card to higher credit-quality customers, it found that cardholders using convenience checks and the balance-transfer option had higher chargeoff rates.

Sears' fairly aggressive use of balance transfers to activate accounts and build balances "was susceptible to some shortfalls related to credit quality," Grund says.

Chargeoff rates in the MasterCard gold portfolio are expected to increase as the accounts season, but Sears "continues to believe that growing the Sears Gold MasterCard is the right thing," Liska said. "Sears needed to find a way to make its credit product more relevant to its customer base. Sears Gold MasterCard has done just that."

Strong Arguments

Like Sears, Minneapolis-based Target Corp.'s Visa smart card also is experiencing rapid growth, much of it at the expense of the discount- and department-store retailer's three proprietary card programs. Receivables on the Target Guest store card fell 31% to $865 million in the second quarter from $1.26 billion in the year-earlier quarter as the retailer continued to convert store card accounts to the Visa.

The Visa card had $2.53 billion in receivables in the second quarter, accounting for 55% of Target's $4.64 billion in managed receivables.

Still, there remain strong arguments for private-label card programs. Customer loyalty, for one, says Richard C. Klesse, national director of Household International Inc.'s Household Retail Services. A private-label card bearing only the retailer's name "ties the customer directly" to the merchant, Klesse says.

"The utility of the card being dedicated to the retailer brings additional loyalty that they don't get if a card can be used anywhere," Klesse says. "Customers identify a card that can be used anywhere more closely with Visa or MasterCard than they would with the other name that's going to be on the card."

A store card program gives a retailer more flexibility in creating customer benefits and special financing for cardholders, Klesse says.

Klesse also questions whether cobranded retail cards can be competitive. "Other bank cards have greater value whether it's airline miles or automobile points," he says. "But true retailers have had difficulty trying to find the right value propositions to support (a cobranded card) financially, particularly when they have a private-label card that can be stronger financially."

Many customers, too, still prefer private-label cards. "What we try to explain to all our retail partners is that you're going to have some people who just want a private-label card, some who just want a cobranded card and some that want both," Purzycki says.

For now, despite growing numbers of cobranded retail cards, the promise of a successful cobranding program between a retailer and a general-purpose card issuer has yet to be realized.

Retail vs. Cobranded

* Almost one in seven retail cardholders have a Visa cobranded card.
* Less than one in ten retail cardholders has a MasterCard cobranded card.

* About one-fifth of retail card users have a cobranded retail card.
* Frequent retail card users are more likely to have a Visa cobranded retail card.
* More than half of cobranded retail card holders use the card only at the cobranded retailer's store.
* More than one-third of retail cardholders use the card at other merchants as well.

Source: Synergistics Corp.

Percentage of Sales on Private-Label Cards, by Retailer

	1993	1994	1995	1996	1997
The May Department Stores Co.	62.4	57.3	54.5	50.0	44.3
J.C. Penney Co. (1)	49.6	49.6	48.4	46.9	43.4
Seam, Roebuck and Co. (2)	58.0	58.3	56.6	56.6	55.1
The Home Depot (3)					
Kohl's Corp. (4)	19.5	NA	NA	NA	NA
Pier One Imports Inc.	8.4	9.6	24.1	25.5	25.9

	1998	1999	2000	2001
The May Department Stores Co.	42.3	40.7	40.3	39.1
J.C. Penney Co. (1)	39.4	37.9	37.5	37.5
Seam, Roebuck and Co. (2)	52.3	48.5	47.4	47.0
The Home Depot (3)		17.0	19.0	21.0
Kohl's Corp. (4)	NA	NA	30.1	31.8
Pier One Imports Inc.	26.0	26.3	28.9	28.9

(1) J.C. Penney portfolio sold to GE Capital in 1999, Figures include department stores and catalog only. 2001 is estimated.

(2) Sears' percentage of sales based on domestic PLCC and cobrand portfolios measured against merchandise sales and services revenue.

(3) Home Depot figures not available prior to 1999. Figures include consumer and commercial programs.

(4) Kohl's figure for 1993 is estimated; 1992 was reported at 19.0%.

Source: First Annapolis Consulting Inc., Company reports.

RELATED ARTICLE: Sears' startling news.

Sears, Roebuck and Co. Chief Executive Alan Lacy shocked the card and retail industries in early October when he announced the firing of

Kevin Keleghan, Sears' executive vice president and president of credit and finance products.

Word of the firing came as Sears announced it had revised third-quarter earnings to reflect a 26% drop. That decrease was due primarily to a $189 million increase in the allowance for uncollectible debt in Sears' $29 billion card program.

The third-quarter domestic allowance for uncollectible accounts increased 50% to $1.63 billion, compared with $1.09 billion in 2001's third quarter.

In a conference call with analysts, Lacy said he had "a series of escalating conversations" with Keleghan in which he was assured that "things were essentially on track."

But reports continued to surface that Sears' private-label card and Gold MasterCard portfolios "might be heading for a more troublesome spell than we had previously anticipated," he said. "It became clear that Kevin was not being forthcoming about the issues that his business was facing."

Keleghan's resignation allegedly was not related to the performance of the card portfolios. "I terminated him because of my lack of confidence in him relative to his personal credibility," Lacy said.

Despite the revised numbers, Sears expects to have a "solid profit growth" of 15% for this year, Lacy said. "Our credit business is still a very profitable business and a very important product to us," he said.

Paul Liska, who had been chief financial officer since he joined the company in June 2001, has replaced Keleghan. Lacy also fired K.R. Vishwanath, vice president of risk management.

For years, cards have been Sears' most reliable source of profits while Sears struggled with different retailing formats. In 2001, the card and financial services unit brought in about 60% of Sears' operating profits.

PUBLISHER NAME: Thomson Media
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GEOGRAPHIC NAMES: *1USA (United States)
PRODUCT NAMES: *3078961 (Plastic Credit Cards); 5200000 (Retail Trade)
INDUSTRY NAMES: BANK (Banking, Finance and Accounting); BUSN (Any type of business)
NAICS CODES: 326199 (All Other Plastics Product Manufacturing)

T 07528109/9

07528109/9

07528109 SUPPLIER NUMBER: 15847688 (THIS IS THE FULL TEXT)
Exxon, GE unit to launch cobranded MasterCard. (General Electric Capital Consumer Card Co. and Exxon Company U.S.A.)
Meece, Mickey
American Banker, v159, n180, p17(1)
Sept 19, 1994
ISSN: 0002-7561 LANGUAGE: ENGLISH RECORD TYPE: FULLTEXT; ABSTRACT
WORD COUNT: 636 LINE COUNT: 00050

ABSTRACT: Exxon Company U.S.A. and General Electric Capital Consumer Card Co. will issue a cross-branded credit card. GE Capital already issues the proprietary Exxon debit card. The Exxon MasterCard will not have an annual fee and an interest rate of 10.9% plus prime, but an introductory rate of 9.9% will be offered for the first five months of a new account. Exxon plans to market its credit card to nonactive Exxon cardholders through preapproved applications.

TEXT:

In perhaps a hint of deals to come, GE Capital Consumer Card Co. has expanded its existing proprietary card relationship with Exxon Co. USA and will issue a general-purpose, cobranded credit card.

Last year, the Cincinnatibased bank owned by General Electric Co. bought Exxon's private label credit card program.

The GE unit also runs other large private label programs for Macy's and Montgomery Ward, among other retailers, which eventually could make lucrative cobranded partners.

"It's a real advantage for us to capitalize on our partnerships and expand those," said Daniel DeMeo, marketing manager for the bank. "Simply said, it's a great opportunity for us."

"This is the beginning," said David Robertson, president of the Nilson Report, a newsletter based in Oxnard, Calif. "There are a number of programs GE is likely to launch."

The new Exxon MasterCard from the GE bank comes with no annual fee, and an introductory 9.9% interest rate. After five months, the rate becomes prime plus 10.9%, or 18.65%.

Cardholders can earn a 3% rebate on purchases from all participating Exxon-branded stations. Also, cardholders get 1% back from purchases made at other retailers that accept MasterCard.

There is no limit to the rebate, which will be applied on cardholder statements good toward future purchases of Exxon products and services.

Officials from both companies pointed to the unlimited rebate structure as a factor that will differentiate Exxon's program from the likes of Shell-Chemical, BP Oil-Bank One, and others.

"It's one of the most exciting features of the program," said Mr. DeMeo.

"We don't care how much you use the card at the station and elsewhere," said Kate Corrigan, an Exxon spokeswoman. "There's no limit to the rebate you can earn."

The oil giant estimates that most consumers who use the card to buy Exxon gas will receive a rebate of five to 10 cents a gallon.

Mr. DeMeo pointed out that Exxon MasterCard offers a number of unique enhancements. Cardholders will have free access to a nationwide travel information and reservation center, a 5% refund on hotel/motel, airline, rental car, rail travel, and cruise reservations arranged through the travel center, as well as emergency roadside dispatch service, emergency

roadside assistance, emergency travel cash and airline tickets, and $100,000 in accident insurance.

The MasterCard affiliation broadens consumers' payment options, while the rebate structure brings the nation's sixthlargest petroleum retailer into direct competition with five others offering rebate cards.

In another move to expand payment options, Exxon joined NationsBank's Start card program in July. Each time a Start Visa cardholder makes a purchase at Exxon, 2% of the amount is deposited into-an FDIC-insured escrow account. When the balance reaches $100, it can be withdrawn in cash or deposited into a long-term savings plan.

Interestingly, GE Capital has decided not to market the Exxon MasterCard to active users of the Exxon proprietary card, which has nearly seven million cardholders. Instead, it will target several million nonactive users with preapproved offers in the mail next month.

In addition, applications will be available at 9,400 Exxon stations in 36 states and the District of Columbia beginning next month.

Exxon will support the launch of its MasterCard with "appropriate" advertising, the spokeswoman said, including radio and television spots.

Exxon alluded to the coming cobranded card on Aug. 9 when it announced that it was charging the same price for cash and credit. Since that time, Exxon has been running advertisements to entice consumers to sign up for the proprietary card by getting free merchandise at the store. The company said it will continue to offer and promote its original Exxon Card.

SPECIAL FEATURES: illustration; other
COMPANY NAMES: Exxon Company U.S.A.--Contracts; General Electric Capital Corp. General Electric Capital Consumer Card Co.--Contracts
INDUSTRY CODES/NAMES: BANK Banking, Finance and Accounting
DESCRIPTORS: Affinity credit cards--Contracts; Credit card industry--Contracts; Petroleum industry--Contracts
PRODUCT/INDUSTRY NAMES: 6020008 (Bank Credit Cards)
SIC CODES: 6020 Commercial Banks
FILE SEGMENT: TI File 148